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World commodity trends and prospects

Report of the Secretary-General**

Summary

The present report provides an overview of world commodity trends and prospects, as requested in General Assembly resolution 57/236 of 20 December 2002. Commodity prices increased considerably in 2003 and the first half of 2004, particularly for minerals, while prices of agricultural products rose more slowly. The general economic recovery and rapidly increasing demand in Asia, particularly China, were the main reasons for the price rises. The report also reviews recent developments in negotiations in the World Trade Organization, particularly on agriculture, and their possible effects on prospects for developing country commodity exports. It is expected that rapid growth in developing countries in Asia, particularly China and India, will continue to bring a new dynamic element to international commodity markets. The combination of these two processes — a more level playing field for agricultural trade and dynamic markets — may result in the opening of a "window of opportunity" for developing countries to increase their earnings from commodity exports. For this to occur, however, negotiations on trade in agricultural products need to meet the ambitious objectives of the Doha Work Programme. But neither increasing demand nor improved market access can guarantee that developing countries will make major progress in increasing commodity exports or in reducing poverty. Efforts are required on the part of these countries themselves to overcome supply-side constraints and market entry barriers, and to that end assistance from the international community will be necessary. As requested by the General Assembly in resolution 58/204 of 23 December 2003, the present report addresses progress in the implementation of that resolution, along with other intergovernmental initiatives relevant to commodities. In this context, the

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** The present report was submitted on this date in order to take into account the decision adopted by the General Council of the World Trade Organization on 1 August 2004.

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launching of an international task force on commodities at UNCTAD XI is particularly significant. At the national level, developing country Governments have to provide an enabling environment and the private sector has to take steps to improve competitiveness. At the international level, apart from reforming the international trading system in a manner favourable to developing countries, developed countries and enterprises need to remove obstacles to market entry and mobilize assistance from the international community.

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I. Introduction

1. The present report was prepared pursuant to General Assembly resolution 57/236 of 20 December 2002, in which the Assembly requested the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) to report to the Assembly at its fifty-ninth session on world commodity trends and prospects, and resolution 58/204 of 23 December 2003, in which the Assembly requested the Secretary-General to submit to the Assembly at its fifty-ninth session a report on the implementation of that resolution.

II. Trends in the world commodity economy

A. Recent developments in international commodity markets

2. After a prolonged period of falling commodity prices, from 1995 to 2002, when the UNCTAD combined commodity price index fell by 31 per cent,[1] most commodity markets experienced higher prices in 2003 and the first half of 2004. This was due to the general, albeit uneven, recovery of the world economy and to fast increasing commodity demand in Asia, especially China. The UNCTAD combined price index rose by 12 per cent over the course of 2003 and by 6 per cent during the first half of 2004. However, if the depreciation of the United States dollar is taken into account, the price improvements were less impressive — the index in terms of special drawing rights (SDRs) increased by 2.5 per cent in 2003. In the first half of 2004, however, the increase in the SDR index was equivalent to that of the dollar index.[2]

3. Developments differed between commodity groups. Industrial raw materials experienced good demand conditions and the UNCTAD price index for minerals, ores and metals rose by more than 28 per cent during 2003 and by almost 15 per cent during the first half of 2004. The index for agricultural raw materials rose by 27 per cent in 2003, but fell by almost 6 per cent during the first six months of 2004.

4. The economic upturn in major developed economies in the second half of 2003 influenced raw materials prices, although the fast growth of Asian, particularly Chinese, demand was probably a more important factor behind the price increase. At a certain point, Asian demand for investment goods became large enough to lead to significant reductions in metal stocks and this event coincided with signs of an upturn in the growth rates of major industrial economies. Consequently, around October 2003, prices of almost all metals started rising rapidly. In view of low stock levels for most metals and the likelihood that industrial production will increase substantially in 2004, prices of these commodities are likely to remain at historically high levels in 2004 and at least early 2005.

5. Food prices, on the other hand, were generally flat in 2003, with the combined price index for all food products rising by 1 per cent, but recovered in 2004, increasing by 6 per cent during the first half of the year. Weaker prices for food

[1] All changes in price indices are expressed in current United States dollars.

[2] For a more detailed review of recent developments in commodity markets and some comments on prospects, see the *World Economic and Social Survey, 2004*, to be issued as a United Nations publication (Sales No. E.04.II.C.1).

products were partly a consequence of the unevenness of world economic recovery, with economic growth being too slow to lead to significant demand increases, partly the result of continued supply overhangs. In 2003, the only group of food products experiencing positive price developments was vegetable oilseeds and oils (prices rose by 17.5 per cent), where the underlying reason was mainly increased Chinese demand. Food price improvements in 2004, although significant, should be judged against the background of the prolonged period of very low prices. In June 2004, the price index for all food remained at a level almost 20 per cent below the average for 1995. Developing countries exporting agricultural commodities are therefore still faced with low prices and, because of price increases for manufactures and oil, their terms of trade have generally declined over the past two years. While the economic upturn is having a positive influence on food prices, the outcome depends also on supply-side factors, including stock levels, which vary from one product to another, and weather.

6. Probably, the most important recent trend has been the extraordinary development of oil prices, which began a rapid rise in 2003, continuing in 2004. A significant part of the price increase can be explained by the economic recovery and the increasing demand from countries such as the United States and China, as well as some newly industrialized countries. There is also concern about the adequacy of oil production capacity in the medium term and about reserves in the long term. However, overreactions and speculative positions in view of potential supply disruptions in countries such as Iraq and Saudi Arabia, as well as concern about developments in the Russian Federation and Venezuela, also played a part. These high prices are hurting the economic growth of oil importers, and particularly developing countries, the economies of which are more energy-intensive than those of developed countries and which tend to spend a large part of their export revenue on oil imports. Particularly hard-hit are least developed countries, as well as landlocked countries, which are confronted with major increases in transport costs. According to International Monetary Fund (IMF) estimates, a sustained US$ 10 per barrel increase would, after one year, reduce gross domestic product (GDP) in highly indebted poor developing countries by 1.6 per cent (and within this group, for countries in sub-Saharan Africa, the figure would be 3 per cent).[3] Persistently high oil prices could also slow down the rate of growth in large oil importing developing countries such as China and India and reduce their capacity to be growth nodes in the world economy.

B. Potential for expansion of demand and trade in commodities

1. Changes in the international trading system[4]

7. On 1 August 2004, the WTO General Council agreed on the framework for continued negotiations under the Doha round. The framework agreement for agriculture aims to guide the remaining negotiations towards the objectives set under the 2001 Doha Ministerial Declaration, i.e. substantial improvements in

[3] IMF estimates based on its Multimod model, quoted in International Energy Agency, "Analysis of the impact of high oil prices on the global economy" (IEA (2004) 2), May 2004.

[4] For a more detailed treatment of the issues arising particularly in the context of ongoing WTO negotiations, see the Secretary-General's report on international trade and development (A/59/305).

market access, phasing out of export subsidies and substantial reduction in trade-distorting domestic support. The text also tries to balance the interests of all WTO member countries, thereby leaving considerable room for negotiation with respect to the actual modalities to achieve the Doha objectives, such as the rates of reductions of tariffs and domestic support, the implementation period, and the exact elements of special and differential treatment. Market access will be improved by applying a tiered approach for tariff reductions so that deeper cuts are made on the highest tariffs, but countries may select a number of sensitive products to be excluded from ambitious cuts. Export subsidies, including certain types of export credits and activities of State exporting enterprises, will be eliminated, although the end date, the pace and the exact measures for elimination remain to be defined. Domestic support is the most controversial part of the framework agreement. Whether the remaining negotiations achieve massive reductions in trade distorting domestic support critically depends on the choice of the reduction formula (the amber box) and the revision of the criteria of the blue box and the green box. Should the criteria be set too broad, countries with a high level of trade-distorting support would be able to maintain some of them by shifting them to the blue box or to the green box to avoid abrupt cuts in their farm subsidies. The agreement, which reflects some of the recommendations made by the group of eminent persons on commodity issues convened by the Secretary-General of UNCTAD at the request of the General Assembly (see TD/B/50/11, paras. 6-7), is to be welcomed.

8. Cotton had been the subject of an initiative on the part of several African countries. The WTO General Council decided to deal with it as part of the agriculture negotiations, but it would be "addressed ambitiously, expeditiously and specifically" under a newly established subcommittee on cotton. The negotiations will encompass all trade-distorting policies affecting the sector, including import tariffs, trade-distorting domestic support subsidies and export subsidization. Commitments to achieve the fullest liberalization of trade in tropical agricultural products will also be addressed. Finally, negotiations on market access for non-agricultural products will have implications for exports of processed products from developing countries.

9. Two ongoing cases under the World Trade Organization (WTO) dispute settlement process may have wider implications: United States — Subsidies on upland cotton (complaint by Brazil) and European Union — Export subsidies on sugar (complaint by Brazil, Thailand and Australia). In both cases interim panel rulings, as reported in the press,[5] recognized that the subsidies in question were not consistent with United States and European Union (EU) obligations under the WTO. If the rulings were upheld, a precedent would be set, which could have implications not only for cotton and sugar but also for other commodities and could significantly improve prospects for some developing country exporters of agricultural products.

10. Many countries have entered regional trade agreements or bilateral trade agreements, partly because of the slow rate of progress in WTO negotiations. There are indications to suggest that the setback of the Cancún Conference has given this process a boost. As of 1 March 2004, almost all WTO members participated in or

[5] *Financial Times*, 18 June and 4 August 2004.

were actively negotiating regional trade agreements.[6] Regional trade agreements exclusively among developing countries account for about 30 to 40 per cent of all active regional trade agreements. The EU is one of the most active in this area, not only at the level of Europe and the Mediterranean basin, but also through numerous interregional agreements. The United States has concluded many agreements covering the Americas and African countries. It should be noted that regional trade agreements, especially the North-South ones (as seen, for instance, in the cases of EU-Mercosur and Free Trade Area of the Americas (FTAA) negotiations), are typically limited in their coverage of agricultural trade.

11. The "Everything but arms" initiative of the European Union has important implications for developing countries' commodity exports. It grants least developed countries quota free and duty free access to the EU market on a non-reciprocal basis for all products except arms and three sensitive products, namely fresh bananas, rice and sugar, which go through gradual liberalization until 2009. A Danish survey[7] estimates that the EU "Everything but arms" initiative can generate around US$ 280 million of welfare gains for the least developed countries, although a great deal of the gains is associated with the three sensitive products. With the coming reform of the Common Agricultural Policy of the EU and the liberalization expected to result from the WTO negotiations, the least developed countries preferences will erode and, according to the Danish survey, the result may be a net loss of welfare, especially for Sub-Saharan Africa. At the same time, some African, Caribbean and Pacific (ACP) countries, which benefit from preferential access to the EU market, may face potential losses as a result of the "Everything but arms" initiative. A recent report prepared by UNCTAD staff[8] based on a computable general equilibrium simulation model shows moderate welfare and trade gains from the initiative. The largest gains are recorded for sub-Saharan Africa and the EU sugar market is the single most important source of change. The effects on the EU itself are minimal, as increased market access for least developed countries comes mostly at the expense of other preference-receiving countries, although the changes are modest.

12. The United States African Growth and Opportunity Act provides Sub-Saharan African countries with the possibility to export duty-free and quota-free products to the United States. Agricultural products account for less than 2 per cent of United States imports under the African Growth and Opportunity Act scheme. Except in a few cases, agricultural products face many constraints: stringent standards, especially regarding pests and diseases for fresh products, and a lack of information

[6] "Bilateralism and regionalism in the aftermath of Cancún: re-establishing the primacy of multilateralism", synthesis note based on regional papers prepared by the Economic Commission for Africa (ECA), the Economic Commission for Europe (ECE), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic and Social Commission for Western Asia (ESCWA).

[7] According to a survey by the Danish International Development Agency (DANIDA), the "Everything but arms" initiative without EU agricultural reform will improve Sub-Saharan Africa welfare by US$ 281.7 million, while with an EU reform it will be a loss of US$ 379.5 million. Wusheng Yu and Trine Jensen, "Trade preferences, WTO negotiations, and the LDCs: the case of the "Everything but arms" initiative, Working paper, Danish Research Institute of Food Economics, April 2003.

[8] L. Cernat and others, "The EU's Everything but arms initiative and the least-developed countries", United Nations University and World Institute for Development Economics Research Discussion Paper No. 2003/47, June 2003.

regarding these standards. A lack of national institutions able to carry out the necessary analyses has obliged exporters in many cases to contract laboratories at the destination in order to certify shipments. The African Growth and Opportunity Act is considerably more important for energy related products (essentially oil), which account for 80 per cent of United States imports under the scheme, and for textiles and apparels, which account for less than 10 per cent.

13. The new round of negotiations on the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) launched during UNCTAD XI in São Paulo, Brazil, may bring new opportunities for expanding South-South trade, particularly in agricultural commodities. Trade in these commodities, when not covered by regional trade agreements, is often constrained by high tariffs. It is hoped that the vision of President Lula of Brazil of a "new geography of trade of the South" will be helped by successful GSTP negotiations. All members of the Group of 77 and China have been invited to accede to the Agreement. Trade among GSTP members is estimated to have been close to $2 trillion in 2000 or about 55 per cent of the international trade of all developing countries.

14. According to a survey undertaken by UNCTAD, almost all South-South trade agreements have increased trade among their respective members, but also with non-members.[9] Thus, the dynamic effects of regional trade agreements in the form of increased growth and import capacity increase trade to the benefit also of countries that are not members. Since about half of developing country commodity exports go to other developing countries, large benefits could accrue from extended coverage of commodities in regional trade agreements, particularly since experience shows that such agreements have spurred the integration of supply chains on a regional or subregional basis.

15. Improving market access is one part of the problem of expanding the trade of developing countries. Tariffs and other barriers need to be addressed in international trade negotiations. These include sanitary and phytosanitary measures, technical barriers, restrictive rules of origin and intellectual property protection (especially geographic indicators), which arise from measures under the multilateral trade agreements, although they are often set unilaterally by Governments. Many other important aspects, however, go beyond the mandate of the WTO and addressing them requires action in other international forums.

2. Increasing Asian demand for commodities

16. Developed countries account for two thirds of world non-fuel commodity imports. They are likely to remain a dominating influence for many years to come and they have a crucial role in establishing conditions in international commodity markets that are favourable to developing countries.

17. On the other hand, rapid economic growth in developing Asian countries, particularly China, has been one of the major dynamic elements for international commodity markets in recent years and forms part of the "new trade geography of the South". Together with improved export opportunities that could result from changes in the international trading system, increased demand for commodities in these countries could considerably boost world demand for commodities. A

[9] *Assessing South-South Regional Integration: Same Issues, Many Metrics* (United Nations publication, Sales No. 02.II.D.11).

"window of opportunity" could thus open up over the next several years, making possible substantially improved export earnings for developing countries.

18. In order to assess the likelihood of this "window of opportunity" actually opening, it is first useful to review briefly past developments concerning Asia's role in international commodity markets. The growth of total merchandise imports by Asian countries[10] was badly hurt by the crisis of 1997 and grew at an annual rate of only 1.2 per cent from 1995 to 2002. During the same period, their commodity imports increased significantly faster, at an annual rate of 2.4 per cent. Import growth in the region's two most populous countries, China and India, which were relatively little affected by the 1997 crisis, was considerably faster, spurred on by high economic growth, and there commodity imports expanded at respectively 11.5 and 9.5 per cent per year on average. If fuel imports are excluded, the rates of increase are still respectable, at 8 and 7.5 per cent. Commodities have accounted for a constant (in the case of China) or increasing (in the case of India and the rest of Asia) portion of imports. Moreover, the share of Asian commodity imports coming from other developing countries has increased steadily. In China, agricultural imports from developing countries outside Asia increased by a total of 30 per cent from 1995 to 2002 and mineral imports from these countries (including fuels) almost tripled over the same period. Since this was a period when commodity prices decreased dramatically, the growth in volume terms was higher.

19. India's share of world consumption of major commodities is still relatively modest, but China's rapid industrialization has led to it becoming a major market for most raw materials (see table 1). China is also a major producer of several commodities, but in many cases, demand growth has outstripped the capacity of the domestic industry to increase production. Accordingly, Chinese exports, particularly to the Asian region, are increasingly replaced by exports from other parts of the world, including developing countries.

Table 1
China's share of consumption of selected industrial raw materials

Material	*Share of world consumption (percentage)*	
	1999	*2003*
Cotton[a]	23.9	31.1
Copper	10.6	19.0
Iron ore	23.2	30.8
Lead	8.4	15.6
Zinc	14.1	19.8

[a] Data for 1999/2000 and 2003/2004 harvest years.

Sources: International Copper Study Group, *Copper Bulletin*, August 2004; International Cotton Advisory Committee, *Cotton: World Statistics*, September 2003; International Lead and Zinc Study Group, *Lead and Zinc Statistics*, vol. 44, No. 2, February 2004; UNCTAD, *The Iron Ore Market 2003-2005*, Geneva, May 2004.

[10] For the purposes of the present discussion, "Asia" includes developing countries in Asia except those in West Asia and Central Asia.

20. China's share of world consumption of food products is also increasing fast. Its major agricultural commodity imports are cereals (mostly wheat and barley); vegetable oils and oilseeds (particularly soybean, soybean oil and palm oil); fish and seafood and animal feed. Other growth sectors include horticultural products such as cut flowers and fruits and vegetables, as would be expected at the present level of income.

21. What are the implications of continued rapid growth in China and India for world commodity demand? In order to answer this question, two important facts need to be kept in mind. First, China and India have a combined population of 2.3 billion people, about 37 per cent of the world's population. Thus, a US$ 100 increase in the per capita income of these two countries (10 per cent for China and 20 per cent for India) represents US$ 230 billion in additional demand. Second, both countries are at a stage of industrialization (with China somewhat ahead of India) where per capita commodity consumption tends to increase rapidly and they are likely to remain at this stage for the next several years. The need for major investments in infrastructure in both countries, particularly in India, will lead to rising demand for construction materials and other industrial raw materials. Life-style changes, including in dietary patterns, brought on by rising income and urbanization, will change the composition of demand for food products. As just mentioned, this is already reflected in the composition of China's agricultural imports, and also in India's, although to a smaller extent. Since both countries have made great progress in reducing poverty, this last factor is of major importance because, other things being equal, rising incomes for the poorer segments of the population tend to have a large impact on food consumption. Imports of non-traditional products such as coffee and cocoa are also increasing and this development is important for other developing countries.

22. Some of the increased demand for commodities will be met from domestic production. However, in spite of rapidly expanding production of most minerals and metals, China's exports (where the country has a surplus over domestic consumption) have been falling for some years, and imports have been growing. Future investments are unlikely to reverse this trend, given both geological factors and signs of increasing scarcity of energy in China. In the case of India, major mining companies are showing great interest in exploration and investment in the country, and India's mineral and metals production may increase substantially in the future. Its domestic needs are also expected to increase, however, and this may offset the growth in production. With respect to agricultural goods, productivity improvements in both countries would be expected to lead to increasing agricultural production. However, in both China and India shortages of arable land may be a constraint on production increases. The amount of land devoted to rice production in China has declined over the past six years and the rice harvest is expected to fall to a 12-year low of 126 million tonnes in the current crop year.[11] Within a decade, China may have to import up to 50 million tonnes of grain per year.[12] Moreover, self-sufficiency is unlikely to be a viable option in a globalizing world, where food products will be available at lower prices from other countries and where the international trading system would complicate efforts to replicate the bad example of developed countries in the area of agricultural protectionism.

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[11] "SOUTH-EAST ASIA: China spurs commodities demand", Oxford Analytica, Daily Brief, 13 August 2004, www.oxweb.com.

[12] Oxford Analytica, 13 April 2004, www.oxweb.com.

23. Accordingly, China and India can be expected to need increasing commodity imports for several years ahead. For reasons of geographical proximity, Asian countries could be expected to be major beneficiaries and Chinese demand has already led to improved markets for its neighbours. For instance, Thailand expects rice exports for this year to increase by one million tonnes to nearly 8 million tonnes because of strong Chinese demand, earning revenues of 2.4 billion dollars compared to 1.85 billion dollars last year.[13] Over the long term, increasing Chinese demand for vegetable oils, particularly palm oil, will benefit Malaysia, which accounts for 50 per cent of global production and 65 per cent of exports, and Indonesia. China is set to overtake India this year as the world's leading importer of vegetable oils and is expected to buy up to 5.5 million tonnes of palm and soybean oil, up from 4.2 million tonnes in 2003.[14] Accelerating demand for rubber from China's automobile industry has created a boom for neighbouring producers. Leading international tyre manufacturers are moving production to China, further benefiting regional rubber suppliers such as Thailand, whose rubber export earnings leapt by 60 per cent in 2004 to 2.8 billion dollars, making rubber that country's fastest-growing export.[14] However, other developing regions are also beginning to see major increases in their commodity exports to China. African countries experienced a 10 per cent annual increase in agricultural exports to China from 1995 to 2002 and Latin American countries saw exports increase at an annual rate of over 4 per cent, albeit in both cases from relatively low initial levels. For minerals (including fuels), the increases were 12 and 19 per cent respectively.

24. In conclusion, Chinese and Indian demand growth will provide a major dynamic stimulus to international commodity markets over the next several years and, since commodity markets are global, the additional demand arising from Asian growth will benefit a wide range of countries and not only affect the immediate neighbourhood. Although problems of oversupply of individual commodities will continue to affect export earnings and producers' incomes, the general trend should be positive.

III. Converting opportunities for increased commodity exports into development and poverty reduction

25. As can be seen from the preceding discussion, a "window of opportunity" for developing countries to increase their earnings from commodity exports may be opening as a result of trade liberalization and increases in commodity demand in Asia, particularly China and India. It should be emphasized that the two processes are complementary. Developing countries would benefit much less from increased Asian demand for commodities if developed countries were to use the expected demand increase as an excuse for taking a complacent view of the need for reductions in agricultural tariffs or support to domestic producers or, worse if they were to decide to exploit the market growth for their own exclusive benefit by continuing export subsidies and high levels of domestic support. On the other hand, a prolonged period of growing demand and improved price stability could make it easier for developed countries to overcome domestic resistance to reduced support,

[13] Vietnam News Agency, 24 March 2004, www.vnanet.vn.

[14] Oxford Analytica, 3 April 2004, www.oxweb.com.

thereby facilitating the transition to a more level playing field in world agricultural trade.

26. However, neither increasing demand, nor improved market access, singly or in combination, can guarantee that developing countries will make major progress in increasing commodity exports or in reducing poverty. Efforts are required on the part of these countries themselves and assistance from the international community will be necessary. The rest of this chapter discusses first, the links between commodity production and trade and poverty, and second, how to improve the competitiveness of developing country commodity producers by removing supply-side obstacles and facilitating market entry.

A. Links between poverty and commodity production and trade

27. The importance of the relationship between commodity production and both the incidence of poverty and the potential to reduce it is illustrated by the basic fact that more than two billion people in the world are employed in commodity production and that the majority of them are poor. While production and exports of commodities have provided a platform for industrialization and economic growth in some countries, in many others dependence on a few commodities for export revenues has trapped economies and people in a vicious circle of falling incomes. Neither dependence on commodity exports nor poverty among rural farming populations is limited to the poorest countries, but the situation of the least developed countries provides a stark illustration of the problems.[15] The incidence of one dollar a day poverty in the period 1997-1999 was 82 per cent among mineral exporting least developed countries and 63 per cent among least developed countries with predominantly agricultural exports, while for services exporters it was 43 per cent and for manufactures exporters 25 per cent.[16] Thus, in a number of least developed countries commodity exports have failed to provide a way out of poverty.

28. The mechanisms behind this failure are different in countries depending on mineral commodities and in those exporting agricultural products. As a rather sweeping generalization, it may be said that in agricultural economies the commodity producers are poor, while in mineral economies it is those left out of commodity production who experience poverty.

29. In agricultural economies, declining real prices and slow demand growth has led to stagnant or falling incomes in the agricultural sector. With little surplus available for investment, either in the sector itself or in the public sector (which is responsible for providing necessary services such as infrastructure), productivity growth has remained low. While access to developed countries' markets has improved through various preferential schemes, it has proved difficult under these circumstances for least developed country producers to achieve successful market entry, to participate in international value chains and to increase retained value added. Thus, the lack of diversification reinforces dependence on a few products with declining real prices and aggravates poverty. Competition from developed

[15] Of the 49 least developed countries, commodities are the major source of export earnings in 31, of which four are oil exporters, seven predominantly mineral exporters and 20 predominantly agricultural exporters the *Least Developed Countries Report, 2004*; *Linking International Trade with Poverty Reduction* (United Nations publication, Sales No. E.04.II.D.27), p.124).

[16] UNCTAD, op. cit. chart 19, p. 132.

country producers, helped by subsidies, is a major contributing factor since it poses a formidable challenge, not only in developed country markets but also in developing country markets, including those of the least developed countries themselves. The potential for significant increases in commodity demand and for a more level playing field in international agricultural trade described in the previous chapter offers an opportunity for developing countries dependent on agricultural exports to break out of the vicious circle of declining incomes and lack of diversification. Depending on the strategies chosen, this could lead to advances in the fight against poverty.

30. In mineral economies, the incidence of poverty results from both structural distortions brought on by the influx of mineral revenues and failings in the distribution of such revenues. In many mineral economies, "Dutch disease"[17]-type phenomena have resulted in reduced competitiveness for non-mining export goods, including agricultural products, and high domestic inflation. These problems can be dealt with through the "sterilization" of excess foreign exchange, for instance by holding funds offshore, and by channelling revenue to investment in human and physical capital, thus providing the basis for more broadly based development. In practice, however, competition for control over resource rents has often predominated. In some cases this has led to excessive growth of the central government machinery, corruption, increased military expenditure and, sometimes, armed conflict. Expected increases in demand offer opportunities for raising export incomes, since market access does not pose a problem. However, the conditions for reducing poverty in mineral economies are not directly affected by higher export incomes. The solutions have to be looked for in the area of national development strategies, supported by assistance from the international community.

31. The *Least Developed Countries Report, 2004* argues that an export-led growth strategy in its pure form is unlikely to lead to a virtuous trade-poverty relationship in the least developed countries. Most of the population in these countries live at or below income levels that are sufficient to meet only their basic needs, and export-led growth generally means exclusionary growth with benefits concentrated in enclaves. The report identifies four possible strategies relevant to commodity dependent countries in which export growth is an important component but in which there is balance between domestic demand and export expansion in the process of economic growth:[18]

- A balanced growth strategy based on agricultural productivity growth and export-accelerated industrialization
- An agricultural-development-led-industrialization strategy — which includes infrastructure investment and technological progress in agriculture, together with forward linkages into processing activities with an export component
- Development and diversification through management of mineral revenues
- Development of natural-resource-based production clusters

[17] The term "Dutch disease", which was coined following the problems caused by increasing natural gas exports in the Netherlands in the 1970s, refers to the effects of a real exchange rate appreciation brought on by a sudden influx of export earnings. These effects include reduced competitiveness in non-boom tradables sectors and increasing domestic inflation resulting from excess demand directed towards the non-tradables sector.

[18] UNCTAD, op. cit., pp. 282-283.

B. Improving competitiveness and achieving market entry

32. It is recognized that substantial progress in international trade negotiations on agriculture is necessary to eliminate the bias against developing country producers. However, even if a more level playing field in agricultural trade results from the ongoing trade negotiations, this would not automatically lead to substantively increasing exports from developing countries. The realization of the potential development gains arising from growing international commodity demand and from changes in the international trading system depends on the ability of developing countries to improve their competitiveness, through eliminating supply-side obstacles and meeting market-entry conditions, so that they can respond to new opportunities.

33. Common supply-side obstacles include deficiencies in infrastructure and extension services and lack of access to credit, technology and market information. In some cases, institutions such as marketing boards earlier provided important services to producers. However, many of these institutions have been abolished and the private sector has not filled the gap. Low productivity is another important problem in the agriculture of many developing countries, especially in Africa. For example, maize yields are 1.6 tonnes per hectare in Africa compared to 3.8 tonnes per hectare in Asia,[19] and the gap is not narrowing.

34. On the demand side, commodity markets are undergoing rapid change, with closed commodity chains rapidly replacing wholesale or spot markets. Highly concentrated agro-food processing, supermarkets, retailers and food service industries are narrowing their supply base and demanding increasingly stringent levels of quality and compliance with safety standards. With the increasing dominance of international distribution networks even in developing countries, these exigencies must be met also when supplying domestic markets. Only a small group of producers and exporters in developing countries has the capitalization, infrastructure, technical expertise and market information to meet requirements. And even for this highly capitalized group, it is difficult to prevent bargaining power from being eroded as downstream agribusiness becomes ever more concentrated. Small producers without the financial and technical means to adjust to new standards have been increasingly marginalized.

35. An example of the significance of private sector standards is provided by the EUREPGAP certification, a private initiative by European retailers aimed at certifying production as safe and sustainable. A normative document details the procedures to follow in order to receive EUREPGAP certification. The certification is in place for fruit and vegetables, flowers and ornamental plants, other farm products, aquaculture products and (soon) green coffee. Accredited organizations control and deliver the EUREPGAP certification, which provides the possibility to market to the retailers that are part of the scheme.[20] There are obvious advantages to having an industry-wide standard replace the different standards used earlier by several retailers which required multiple certification. However, small producers, particularly in developing countries, perceive the initiative as problematic. Producers in developed countries benefit from help to comply with the

[19] Jeffrey Sachs and Pedro A. Sanchez, «Une révolution verte pour l'Afrique», *Le Monde*, 11 August 2004.

[20] For more detail on the EUREPGAP initiative, consult the web site http://www.eurep.org.

requirements, while this is generally not the case in developing countries. Large transnational companies can easily comply with the standards, but this is obviously much more difficult for small farmers in developing countries. For instance, bananas from plantations owned by Chiquita are certified EUREPGAP, while bananas from ACP countries, including Caribbean island States, are not. A second version of EUREPGAP standards has been implemented since January 2004 and will be the only one applicable from 1 January 2005.

36. In order to deal with both supply-side obstacles and difficulties of market entry, specific policies and assistance are needed. Capacity-building to tackle transaction costs and overcome institutional weaknesses obstructing trade, both in the public and private sectors, is important and would call for significantly stepped-up funding for technical assistance from developed countries and multilateral financial institutions. Developing countries, for their part, would also need to commit themselves to creating supportive conditions for trade and investment as part of their national development strategies. Such conditions include stable macroeconomic and sectoral policies, improved institutional frameworks, better access to seasonal finance and improved infrastructure. It is also important that developing country Governments take actions supporting producers' and exporters' efforts to meet market requirements. Such actions include support to product quality improvement, including the provision of testing services, and to improvements in logistics; elimination of unnecessary regulations; and upgrading of agricultural extension services.

IV. Implementation of General Assembly resolution 58/204 and some other intergovernmental initiatives

37. As has been argued in the present report, the coming years may see an unprecedented opportunity for developing countries to increase exports of commodities, particularly to other developing countries, as a result of favourable market conditions over the medium term, both for raw materials and for food commodities. As has also been noted, the support of the international community, especially developed countries, will be necessary for developing countries to be able to exploit this "window of opportunity" to the fullest extent and convert increased export income into reduction of poverty. This support should include a dramatically more level playing field for international trade in agricultural commodities, to be achieved through the successful conclusion of negotiations on agriculture and other relevant areas, such as market access for non-agricultural products in the WTO. Regional trade agreements and renewed negotiations on the expansion of GSTP can also provide a significant impetus, in particular to trade among developing countries. For least developed countries, in particular, increased financial and technical assistance will also be necessary to allow their commodity producers to achieve successful integration into international supply chains, eliminate supply-side obstacles to increased commodity exports and distribute the gains from rising export revenues to the poorest segments of the population, particularly small-scale farmers, many of whom are women. Progress in this area will make a significant contribution to meeting the Millennium Development Goals established by the General Assembly.

38. UNCTAD will continue to devote efforts to contribute to the identification, design and implementation of new policy approaches to commodity-related development problems. In addition to the Millennium Goals, several recent decisions by the General Assembly, related to commodities, are important in this respect and are guiding the work of UNCTAD.

39. At its fifty-seventh session, in resolution 57/236 of 20 December 2002, the General Assembly called upon the Secretary-General of UNCTAD to designate independent eminent persons to examine and report on commodity issues for consideration by the General Assembly at its fifty-eighth session. The designated eminent persons met on 22 and 23 September 2003 in Geneva. On the basis of their discussions, they agreed upon a set of recommendations,[21] among which they attached the highest priority to the following:

- Enhanced, equitable and predictable market access for commodities of key importance to developing countries
- Addressing the problems of oversupply of many commodities
- Making compensatory financing schemes user-friendly and operational
- Strengthening capacity and institutions
- Pursuing the possibilities for the creation of a new international diversification fund

40. At its fifty-eighth session, the General Assembly, in resolution 58/204 of 23 December 2003, took note of the report of the Meeting of Eminent Persons on Commodity Issues. With respect to the recommendations, it urged Governments and invited international financial institutions to continue to assess the effectiveness, including the operationalization and user-friendliness, of the systems for compensatory financing of export-earnings shortfalls. The Assembly also requested the Secretary-General to undertake further open and transparent discussions with all relevant stakeholders on enhancing the impact of the set of existing instruments to support commodity-dependent developing countries in their efforts to diversify their exports. It called upon UNCTAD and invited other relevant bodies and organs of the United Nations system, as well as other relevant international organizations, to strengthen coherently their capacity-building and technical cooperation activities in this area. Finally, the Assembly requested the Secretary-General to submit to it at its fifty-ninth session a report on the implementation of the resolution. Paragraphs 41 to 45 below constitute this report.

41. In spite of severe resource constraints, UNCTAD has endeavoured to take into account the recommendations of the eminent persons in its work and has also strived to meet the requests made by the General Assembly in resolution 58/204. At the eleventh United Nations Conference on Trade and Development (UNCTAD XI), held in São Paulo, Brazil, from 13 to 18 June 2004, member Governments gave UNCTAD an ambitious mandate on commodities that will facilitate this task. Existing responsibilities, which were in some cases reformulated, were reconfirmed, including:

[21] The recommendations of the eminent persons are contained in their report (A/58/401, chap. II).

- Monitoring developments in commodity markets
- Assisting developing countries in formulating strategies and policies to respond to the challenges of commodity markets, including oversupply
- Addressing links between international commodity trade and national development, particularly poverty reduction
- Analysing and promoting exchange of experiences with factors, policy issues and responses influencing the competitiveness of the commodity sector so as to contribute to diversification, adding value and more effective participation in the supply chain
- Analysing and supporting the development of appropriate and effective mechanisms and capacity to respond to commodity price fluctuations and to mitigate earnings shortfalls, in particular by improving the capacity to apply modern commodity price risk management and financial instruments (TD/410, para. 100)

42. In addition to the above-mentioned responsibilities, UNCTAD was also requested to help build effective partnerships among relevant stakeholders aiming at viable solutions and sustainable approaches to commodity problems, including by fostering public-private cooperation in commodity chains with a view to ensuring, inter alia through market-based principles, a more equitable distribution of revenues and benefits along the supply chain, and to supporting diversification (TD/410, para. 100). To this end, the establishment of an International Task Force on Commodities was announced at UNCTAD XI. As explained in the annex to document TD/410, the Task Force will function in an informal and flexible manner, with partners cooperating in a spirit of cooperative endeavour. Partners will include member States, international organizations, commodity-specific bodies, the private sector, non-governmental organizations and the academic community. The Task Force could play a crucial role in ensuring networking and synergies between the activities of different bodies and different actors, inter alia to avoid duplication and ensure coherence, and in generating ideas for technical cooperation, building upon technical cooperation projects so that their impact is enhanced and identifying technical cooperation projects that fall outside the purview of existing organizations, in particular multi-stakeholder projects. The Task Force is expected to contribute constructively to finding ways to exploit the "window of opportunity" for commodity dependent developing countries to increase the role of the commodity sector in economic growth and development. Accordingly, the Task Force will play a crucial role in responding to both the recommendations of the eminent persons and the requests of the General Assembly. Financial support for the Task Force from Governments, international financial institutions and other international organizations is crucial for its success and should be encouraged.

43. Other developments and initiatives in the area of commodities are also related to the recommendations of the eminent persons. With respect to the effectiveness of the systems for compensatory financing of export-earnings shortfalls referred to by the Assembly, some progress has been made. The failure to revive an effective system for compensatory financing of export-earnings shortfalls under the IMF, as well as the inadequacy of the FLEX (which replaced the former STABEX instrument) scheme set-up under the EU-ACP Cotonou Agreement has been a serious concern. After discussion with various stakeholders, the European Commission decided in February 2004 to reshape the FLEX export-income

compensation instrument by simplifying the criteria for benefiting from the scheme (e.g., considering the elimination of the eligibility requirements regarding an increase in the public deficit, proposing that a preferential 2 per cent (of export revenues) trigger threshold be applied to least developed countries and landlocked and island States, as well as examining the special case of African cotton producing countries). Further work will be needed to assess the impact of such approaches and to review past and potential new schemes, including those using new financial instruments and commodity-risk insurance schemes, as well as those based on indicators allowing a quicker response.

44. A significant initiative related to commodities and some aspects of the recommendations of the eminent persons, which was launched in April 2004, is the EU Action Plan on Agricultural Commodity Chains, Dependence and Poverty, in which UNCTAD has been designated as one of the partner organizations.[22] The implementation of this initiative has not yet started, but UNCTAD expects to participate fully in areas of its competence once the preparations for implementing it are completed.

45. In conclusion, with respect to the implementation of resolution 58/204, some initiatives have been taken, but it will take some time for them to have a significant impact on the situation of commodity dependent developing countries.

46. It should also be mentioned that activities of the United Nations Conference on Trade and Development in the commodities area are closely related to the implementation of the Monterrey Consensus of the International Conference on Financing for Development[23] (see TD/B/51/5). They are particularly relevant to removing supply-side constraints, diversifying export capacity and strengthening institutional development and enhancing overall productivity and competitiveness as referred to in paragraph 36 of the Monterrey Consensus, and to mitigating the consequences of depressed export revenues of countries that still depend heavily on commodity exports, empowering developing country commodity producers to insure themselves against risk and supporting export diversification programmes in those countries, as called for in paragraph 37. Although all of the activities in the area of commodities are relevant in this connection, some merit special mention. The reports prepared for several meetings of experts and of the Commission on International Trade in Goods and Services, and Commodities have focused on the constraints and opportunities for more effective participation by developing country producers in international commodity value chains.[24] A differentiation has been

[22] For the text of the Action Plan, see Communication from the Commission to the Council and the European Parliament, "Agricultural commodity chains, dependence and poverty — a proposal for an EU Action Plan", Brussels, 12.02.2004, COM(2004)89 final.

[23] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution I, annex.

[24] "Market access, market entry and competitiveness", TD/B/COM.1/65 of 19 December 2003; "Report of the Expert Meeting on Market Entry Conditions Affecting Competitiveness and Exports of Goods and Services of Developing Countries: Large Distribution Networks, taking into account Special Needs of LDCs", TD/B/COM.1/66 of 19 January 2004; "Export diversification, market access and competitiveness", TD/B/COM.1/54 of 26 November 2002; "Report of the Expert Meeting on the Diversification of Production and Exports in Commodity Dependent Developing Countries, including Single Commodity Exporters, for Industrialization and Development, taking into account the Special Needs of LDCs", TD/B/COM.1/50 of 19 April 2002.

made between market access conditions that are subject to international trading rules and market entry conditions that emanate from market structures. The removal of supply-side constraints and improving competitiveness through upgrading business practices and meeting quality requirements, the identification of opportunities and the role of Governments in enabling the private sector in these areas have been covered. UNCTAD has also been implementing a project on "Capacity-building for diversification and commodity based development" financed from the Development Account of the United Nations. Several regional and national workshops have been organized. Information on this activity, including a large number of reports, can be found at http://www.unctad.org/infocomm/Diversification/index.htm. Another project financed by the Common Fund for Commodities on "Improvement of sustainability of cotton production in West Africa" aims to improve the competitiveness and sustainable development of the cotton sector in countries of that region. Regarding the consequences of depressed export earnings, UNCTAD has continued to work on improving institutional and operational capacity in the management of commodity price risks. Its work on innovative mechanisms for the financing of commodity production and trade is also relevant in this respect.

V. Conclusions

47. In the past several decades, commodities have not played the role of an engine of growth. The prospects may be improving with the expected demand increase resulting from rapid growth, especially in developing countries. This opens a "window of opportunity" for increasing commodity exports from developing countries. In order for the benefits of this opportunity to be equitably shared so that they reach the poorest countries and the poorest population segments of developing countries, national and international policies and actions are required.

48. At the national level, productivity needs to be improved, particularly in least developed countries and African countries. Measures to this effect include improved extension services, enhanced and more rational use of inputs and the adoption of better yielding varieties and better farming practices. Improvements in the quality of products and quality control are necessary in order to meet market exigencies and increase returns to production. Governments have an important role to play in this respect, both by providing support to producers, processors and traders and by establishing an enabling environment. For this to be effective, the private sector has to adopt modern business practices necessary for participation in international value chains. The design and implementation of innovative financing mechanisms would help in attracting resources to agriculture. In mineral dependent countries, the management of mineral revenues and the establishment of stronger links between mining and other parts of the economy are particularly important for contributing to the structural transformation to more broadly based and diversified economies.

49. At the international level, it is necessary for the international trading system to be reformed in a way that offers substantially improved opportunities to developing country agricultural exporters and provides the policy space for implementing the necessary measures in this respect. Financial and technical assistance is needed to support the efforts of developing countries to participate more effectively in international commodity trade. In this context, it deserves to be noted that the Organization for Economic Cooperation and Development (OECD) Development

Assistance Committee (DAC) flows to agriculture, which comprised 11.7 per cent of the total in 1981-1982, declined to 5.6 per cent in 2001-2002,[25] and there is no indication that they have rebounded. Finally, international support to mitigate the consequences of price instability calls for user-friendly and operational approaches to schemes intended to address earnings shortfalls.

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[25] Statistical Annex of the 2003 Development Co-operation Report, 12 January 2004, http//oecd.org/dataoecd/52/11/1893159.xls.

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International trade and development

Report of the Secretary-General**

Executive summary

The present report reviews recent trends in international trade, which manifest considerable diversity in trade performance across regions and countries. Particular emphasis is placed on the importance of developing countries in the trade of the North, and the silent transformation in South-South trade as a growing positive trend. At the same time, in all countries, trade in services is gaining importance. Commodity prices recovered slightly in 2003 in nominal terms, while the combined commodity price index in terms of current dollars rose by more than 19 per cent in 2003.

The report analyses the implementation of two major events in the international economic agenda in 2004: the outcomes of the eleventh session of the United Nations Conference on Trade and Development (UNCTAD) (São Paulo, Brazil, 13-18 June 2004) and the World Trade Organization multilateral trade negotiations under the Doha work programme resulting in the reaching of framework agreements by the General Council of the World Trade Organization on 1 August 2004. The results of the eleventh session of UNCTAD in São Paulo clearly reconfirmed and strengthened the role of UNCTAD as the focal point in the United Nations system for the integrated treatment of trade and development. The World Trade Organization framework agreement was a product of difficult negotiations on the basis of two consecutive draft texts presented by the Chair of the General Council and the Director-General of the World Trade Organization. In the World Trade Organization resumed multilateral trade negotiations, in sharp contrast with the Fifth Ministerial Conference of the World Trade Organization, held in Cancún, Mexico, in 2003, a political will of all participants to reach consensus was demonstrated.

* A/59/150.

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The agreement set frameworks for a future negotiating package in five core areas: agriculture, market access on non-agricultural products, services, development issues and trade facilitation. It is expected that in the months ahead, members of the World Trade Organization will develop these frameworks into concrete, detailed and specific modalities for concluding negotiations. The agreement also recognized that the original deadline of January 2005 for completion of the Doha round was not realistic, and it is expected that negotiations will continue well after the Sixth Ministerial Conference of the World Trade Organization decided to be convened in December 2005 in Hong Kong Special Administrative Region of China. Developments with regard to regional trade arrangements, a major component of the evolving international trading system, are also discussed.

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I. Introduction

1. The present report was prepared pursuant to General Assembly resolution 58/197 of 23 December 2003, in which the Assembly requested the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development (UNCTAD), to report to the Assembly at its fifty-ninth session on the implementation of that resolution and on developments in the multilateral trading system. Other UNCTAD reports provide additional information.

II. Recent trends in international trade

2. International trade seems to be rebounding; growth of international trade increased from 3 per cent in 2002 to 4.7 per cent (13 per cent in dollar terms) in 2003. UNCTAD estimates suggest that growth[1] will increase to 7 per cent in 2004. Besides the major developed countries, the developing countries made a significant contribution, with robust 9 per cent growth. Much of this improved performance was attributable to increased import demand in developing and, to a lesser extent, transition countries. China led Asia's impressive trade growth with a 30 per cent increase, while Africa and Latin America and the least developed countries recorded modest growth. Developing countries had increased their share in international trade to 31 per cent by 2001. Today, manufactures represent nearly 70 per cent of developing countries' exports of goods, indicating a trend towards greater diversification. World merchandise exports rose by 16 per cent to a new record level of $7.3 trillion. More than two thirds of this increase has been, due however, to dollar price changes.[2]

3. However, there are important performance variations among developing countries. A large number of developing countries, particularly least developed countries and commodity-dependent countries, continue to remain marginalized in international trade and the trading system and are still vulnerable to external shocks.

4. In all countries, the services economy has been gaining importance over the last two decades and has contributed a growing share to gross domestic product (GDP) and employment. The services sector encompasses a fundamental economic activity, with a key infrastructural role and important implications for poverty reduction. There are, however, differences in the development of the services economy and infrastructural services across countries and regions. Services account, on average, for 50 per cent of GDP in developing countries, while for developed countries this share is about 70 per cent. Trade in services represents 16 per cent of the total trade of developing countries and is expanding at the same pace as trade in goods. The share of workers employed in services activities has reached 70 per cent in most of the developed countries and 50 per cent in many developing economies. Most of the firms in services activities — including government, which retains its role in providing services in many developing countries — are traditional employers of women.

5. An important manifestation of the emerging new trade geography is the growth in the South's share in world trade, which now stands at 30 per cent, compared with 20 per cent in the mid-1980s.[3] The share of manufactures in developing countries' exports grew from 20 per cent of their exports ($115 billion) in 1980 to nearly 70 per cent ($1,300 billion) in 2000. In 2003, for the first time ever, the United States

of America imported more goods from developing countries than from developed countries, while the share of its exports to developing countries increased to over 40 per cent. The South is the destination for nearly half of Japan's exports and for one third of those of the European Union (EU) (excluding intra-EU trade).

6. Trade among countries of the South, by offering manifold opportunities to developing countries to increase their profile in international trade, is and can continue to have a decisive influence in shaping the new trade geography. Today, South-South trade accounts for just over one tenth of total world trade, but it is growing significantly. Importantly, over 40 per cent of developing-country exports are destined for other developing countries, and trade among them is increasing at the rate of 11 per cent per year. South-South trade in services is also on the rise and has substantial possibilities. This silent transformation is further underlined by investment, transfer of technology and enterprise-level interaction at the intraregional as well as interregional level.

7. After a prolonged period of falling commodity prices from 1995 to 2002, when the UNCTAD combined commodity price index in terms of current United States dollars had fallen by 31 per cent, most commodity markets experienced some increase in demand and higher prices in 2003 and the first half of 2004. This was due to the general, albeit uneven, recovery of the world economy, and to fast-increasing commodity demand in Asia, especially China. The UNCTAD combined price index rose by 12 per cent over the course of 2003 and by 6 per cent during the first half of 2004. Industrial raw materials, benefiting from the economic upturn, were the principal gainers. The continued exceptionally high growth of Chinese demand was probably a more important factor behind the price increases. However, if the depreciation of the United States dollar is taken into account, the price improvements were considerably less impressive, as shown by the modest increase of 2.5 per cent of the index in terms of special drawing rights (SDRs) in 2003. In the first half of 2004, however, the increase in the SDR index was equivalent to that of the dollar index, providing some justification for optimism about medium-term demand prospects.[4] Improvements in food prices in 2004, although substantial, should be judged against the background of the prolonged period of very low prices. In June 2004, the UNCTAD price index in current dollars for all food remained at a level almost 20 per cent below the average for 1995, partly the result of continued supply overhangs.

8. Probably the most important recent trend has been the extraordinary development of oil prices (in nominal terms) which had started to mushroom in 2003 and continued rising in 2004. A major part of the price increase can be explained by the economic recovery and the increasing demand from countries such as the United States and China as well as some newly industrialized countries. However, overreactions and speculative positions in relation to potential instability in the Middle East, as well as political turbulence in Venezuela and corporate developments in the Russian Federation, also played a part. These high prices are hurting the economic growth of oil importers, particularly developing countries which are more energy-intensive (per unit of output) than developed ones, and tend to spend a large part of their export revenue on oil imports. In large low-income developing countries like China and India, this trend can have the effect of decreasing high growth rates required for poverty reduction. Particularly hard hit are landlocked countries, which not only pay more for their oil, but are also confronted with strongly increased transport costs. According to International Monetary Fund (IMF) estimates, a sustained US$ 10 per barrel increase would, after one year,

reduce GDP in highly indebted poor developing countries by 1.6 per cent (and within this group, for countries in sub-Saharan Africa, the figure is 3 per cent).

III. Outcomes of the eleventh session of UNCTAD

9. The eleventh session of UNCTAD (São Paulo, Brazil, 13-18 June 2004), was the first major international trade event after the setback of the Fifth Ministerial Conference of the World Trade Organization, held in Cancún, Mexico, in September 2003. Within its overall theme of "Enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries", the eleventh session of UNCTAD addressed specific issues relating to four sub-themes: development strategies in a globalizing world economy; building productive capacity and international competitiveness; assuring development gains from the international trading system and trade negotiations; and partnership for development.

10. The eleventh session of UNCTAD had a unique architecture in respect of its organization and management. It embraced three interrelated pillars: an intergovernmental pillar; a second pillar encompassing a series of conference events, including parallel and side events; and a third pillar consisting of a civil society track in the shape of a civil society forum. Cutting across the lines of these three pillars were exhibitions and fairs with a thematic content. Moreover, there were more than 60 Conference events conducted with a very diverse scope, in respect of problematique. These were organized in such a manner as to feed into the Conference process, enrich the debate and impact on the final products of the Conference. A significant number of organizations and entities — such as the Department of Economic and Social Affairs of the United Nations Secretariat, the United Nations Industrial Development Organization (UNIDO), the Food and Agriculture Organization of the United Nations, the International Trade Centre, the United Nations Development Programme (UNDP), the regional commissions, the World Trade Organization, the World Bank, IMF, the Global Compact, the Common Fund in Commodities, the International Chamber of Commerce, the Global System of Trade Preferences among Developing Countries (GSTP) and the International Tropical Timber Organization (ITTO) — partnered with UNCTAD in delivering these events or round tables and workshops. The special ministerial meeting to commemorate the fortieth anniversary of the Group of 77 was also held, upon which occasion a ministerial declaration (A/59/115, annex) was adopted.

11. The Conference also addressed three interrelated and integrated issues of particular concern to developing countries, namely, trade and gender, trade and poverty, and trade and the creative industries, through the organization of events covering those three issues.

12. In addressing the overall theme and its related sub-themes, the major objective was to establish linkages and identify positive interrelationships between enhancing the supply capacity and competitiveness of developing countries, and their potential gains arising from the Doha round. This involved linking closely UNCTAD activities in the field of trade negotiations and trade policies with those related to enhancing productive capacity and competitiveness, namely, investment, technology and information and communication technologies (ICT), enterprise development and entrepreneurship, trade logistics and trade facilitation, and capacity-building.

13. The eleventh session of UNCTAD assisted in building consensus on the major themes of the Doha round falling under the competence of UNCTAD. Positive impulses were sought aimed at reinvigorating the stalled Doha process and restoring viability of the multilateral trading system. For the first time, the Conference was also used as a platform for conducting several ministerial meetings among leading members of the World Trade Organization (for example, the ministerial meetings of the Group of 20 (G-20) and the Non-Group of 5) to advance the negotiations so as to meet the end-of-July deadline.

14. The eleventh session of UNCTAD concluded with the adoption of a political declaration, entitled "The Spirit of São Paulo",[5] and an analytical, policy action and programmatic statement, the São Paulo Consensus.[6] The outcome of the Conference was conceived as a contribution to the achievement of the Millennium Development Goals, in particular Millennium Development Goal 8, target 12,[7] and to the implementation of the agreements reached and the commitments made at United Nations conferences and summits, in particular in the areas of trade, investment, commodities, debt and ICT. The outcomes of the Conference provide a substantive input to the preparation of the 2005 comprehensive review of the implementation of the objectives of the United Nations Millennium Declaration (see General Assembly resolution 55/2).

15. The main outcomes of the eleventh session of UNCTAD are set out directly below.

16. In the area of **international trade**:

- By focusing on the development dimension of the international trading system, including the Doha negotiations, the eleventh session of UNCTAD reinforced the consensus that trade is not an end in itself but a means to growth and development; and that it is not only the "quantitative" but also the "qualitative", in other words, the "beneficial" integration of developing countries into the international trading system that is important.

- By building on and strengthening the implementation of the Plan of Action adopted at the tenth session of UNCTAD, held in Bangkok from 12 to 19 February 2000 (TD/390, part II), UNCTAD was requested to continue its programmatic activities to monitor and assess the evolution of the international trading system and of trends in international trade from a development perspective; to help develop capacities in developing countries to establish their own negotiating priorities and negotiate trade agreements, including World Trade Organization accessions; to assist developing countries in integrating trade and development concerns into their national development plans and poverty reduction strategies; and to monitor and analyse the impact of trade-related policies on developing countries, particularly the policies of their major trading partners.

- The mandates and specific areas of work of UNCTAD have been broadened to include sectoral reviews of new and dynamic sectors in international trade to foster increased participation by developing countries in these sectors, and focusing on the positive links among supply capacities, export competitiveness and market access; and elaborating development benchmarks to assess how effectively developing countries are integrating into and deriving gains from the international trading system.

- UNCTAD was also requested to support the positive interface between development and regional trade agreements of the South and North-South agreements to foster mutual cooperation; and carry out regular reviews of regional trade agreements and their impact on multilateralism. A new task is to analyse the evolving new trade geography of the South focusing on (a) the importance of the South as an engine of growth and development, (b) South-South trade at the intraregional level and increasingly at the interregional level, particularly via support for the third round of GSTP negotiations launched at the Conference and (c) increasing North-South trade relations. The third round of GSTP negotiations will start in November 2004 and is scheduled to last two years.

- Another specific new task is to initiate a consultative task force on environmental measures and market access as a practical way of raising awareness about such measures and promoting international cooperation in addressing the issue of those measures.

- UNCTAD also should help to increase the local participation of developing countries' enterprises in provision of goods and services in the oil and gas sector; and support a network of export-import banks to facilitate trade and investment finance cooperation among developing countries and also other countries.

- UNCTAD should strengthen its analytical and capacity-building activities to assist developing countries on issues related to competition law and policies, including at the regional level.

- UNCTAD was also requested to launch national services assessment on the development impact of services sector reforms, and elaboration of services policies and strategies, including for trade negotiations.

17. With regard to **development strategies**:

- The Conference explored the various dimensions of trade and development in a globalizing world. In this context, it highlighted the need to enhance coherence and consistency in the international economic system with development at the centre of the international economic agenda. Enhanced coherence is needed between national development strategies, on the one hand, and international obligations and commitments, on the other, with a view to the creation of an enabling economic environment for development. It is also required in terms of the links between the monetary, financial and trading systems and global economic governance. Thus defined, enhanced coherence should broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting.

- The need for a "policy space" in pursuing development strategies was recognized and constitutes an important policy outcome of the eleventh session of UNCTAD. The increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is to say, the scope for domestic policies, especially in the areas of trade, investment and industrial development, has often been framed by international disciplines, commitments and global market considerations. The São Paulo

consensus emphasized that it was for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints imposed by the loss of policy space. It was particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments.

- UNCTAD's role with respect to debt analysis and debt management was also reinforced.

18. On **trade facilitation**, the Conference discussed the security measures recently introduced by some countries and their implications for developing countries. UNCTAD was requested to assess their economic cost and examine appropriate measures to help limit their negative implications for developing countries.

19. Regarding **partnerships**, the eleventh session of UNCTAD launched four partnerships in the areas of ICT for development (open source software, e-tourism, e-measurement), commodities (setting up of an international task force on commodities involving all partners interested in the commodity problematique and commodity market operation, including the private sector), investment and capacity-building, and the UNCTAD Virtual Institute on Trade and Development. The Trade and Development Board will review the implementation of partnerships annually, on the basis of a report of the Secretary-General of UNCTAD. The participation of civil society, in particular non-governmental organizations and academia, the private sector and other organizations of the United Nations system, should be made more systematic and should be better integrated with the UNCTAD intergovernmental processes.

20. The results of the eleventh session of UNCTAD in São Paulo clearly reconfirmed and strengthened the role of UNCTAD as the focal point in the United Nations system for the integrated treatment of trade and development. All member States expressed confidence that UNCTAD would continue to make a major contribution to the objectives of development, especially by focusing on development gains from international trading system and trade negotiations and by promoting coherence between national development strategies and global economic processes. UNCTAD will maintain and strengthen its important role as a forum for consensus-building on trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development. UNCTAD is well placed to present strategic perspectives on the interface between the multilateral and regional trade processes and to help developing countries cope with the multitude of challenges involved. It has a clear supportive and complementary role in relation to the Doha work programme and regional/bilateral trade negotiations through research and policy analysis, intergovernmental consensus-building, and technical assistance and capacity-generation activities. UNCTAD will also provide a forum for advancing a comprehensive dialogue with various stakeholders, including Governments, the private sector and civil society, on a development-related interface between trade and cross-cutting issues of trade and environment, trade and competition, trade and gender, and trade and poverty.

IV. Developments in the multilateral trading system

A. Overview

21. After the setback of the Cancún Ministerial Conference in September 2003, unprecedented diplomatic efforts have been undertaken to resume the multilateral trade negotiations under the Doha work programme. Thus, a rather positive atmosphere was created by several initiatives, such as the letter dated 11 January 2004 from the United States Trade Representative, R. Zoellick, to all World Trade Organization members; the letter dated 9 May 2004 from the EU Trade Commissioner, Pascal Lamy, and the EU Agriculture Commissioner, Franz Fischler, to ministers responsible for trade in all members of the World Trade Organization; several meetings between EU, the United States and G-20 developing countries; and several ministerial meetings (the third meeting of the Ministers of Trade of the least developed countries, held at Dakar in May 2004; the Organization for Economic Cooperation and Development (OECD) Ministerial Council Meeting in May 2004; the meeting of Ministers of Trade of the member States of the African Union, held at Kigali in May 2004; the meeting of Ministers of the G-20 in São Paulo on the eve of the eleventh session of UNCTAD; the meeting of Ministers responsible for agriculture and Senior Officials of the Group of Ten (G-10) held at Geneva on 5 July 2004; and the meeting of Trade Ministers from the Alliance of African, Caribbean and Pacific (ACP) Group of States, the African Union and the Least Developed Countries (G-90)) (Mauritius, 11-13 July 2004), as well as a considerable number of informal "mini-ministerials".

22. As a result, participants agreed to resume work in all negotiating bodies. The nature of their meetings can be qualified as constituting a cautious and gradual process in the direction of rebuilding consensus and mutual confidence. A more constructive working environment emerged, including the openly demonstrated desire of members of the World Trade Organization to listen to positions and concerns of others, especially in crucial areas such as agriculture.

23. The ultimate objective was to agree on specific negotiating frameworks and modalities in core negotiating areas by the end of July 2004 and thus put the Doha negotiations back on the right track. This objective was formally achieved in the early hours of 1 August 2004 after five days of practically non-stop negotiations within the framework of the World Trade Organization General Council, when the General Council decision was finally adopted.[8]

24. This agreement was a product of difficult negotiations on the basis of two consecutive draft texts presented by the Chair of the General Council and the Director-General of the World Trade Organization. In the resumed multilateral trade negotiations under the Doha work programme, in sharp contrast to the Cancún Ministerial Conference, there was a political will of all participants to reach consensus.

25. The agreement sets frameworks for a future negotiating package in five core areas: agriculture, market access on non-agricultural products, services, development issues, and trade facilitation. It is expected that in the months ahead World Trade Organization members will develop these frameworks into concrete, detailed and specific modalities for concluding negotiations.

26. The agreement adopted seems to have entailed a more flexible and realistic decision for completion of the Doha round by dropping the original deadline of January 2005, while it was also decided to hold the Sixth Ministerial Conference of the World Trade Organization in December 2005 in Hong Kong Special Administrative Region of China.

B. Agreed frameworks in core areas

Agriculture

27. The framework agreement on agriculture (document WT/L/579, annex A) is of a central importance and probably represents the biggest result of the Doha process so far. The agreement achieved a concrete step forward in terms of the commitment to substantially reduce if not eliminate subsidies given to farmers in developed countries, although the issue of exact time-lines in terms of base periods, commencement, duration and completion of implementations is left open. The clear commitment to eliminate all forms of agricultural export subsidies "by the end date to be agreed" has been regarded by many as "historic". In addition to the existing subsidies, the framework aims to set up a modality to eliminate other export competition measures, such as trade-distorting types of export credits, guarantee and insurance programmes and export subsidy elements in programmes of State-trading enterprises. Furthermore, rules would be developed to ensure that food aid does not displace commercial trade, and the negotiations will also consider whether all food aid could be provided in grant form. Under the agreement, developing countries would be allowed to maintain certain export subsidies to market and transport their products "for a reasonable time" even after other export subsidies were eliminated.

28. With regard to domestic support measures, the framework aims at substantially reducing trade-distorting subsidies to domestic production, including capping the so-called Blue Box support,[9] with a "tiered approach" (several different levels of reduction) that requires countries with the highest subsidy levels to make the deepest cuts. As an initial instalment, the total level of trade-distorting domestic support as bound under the Uruguay Round of multilateral trade negotiations commitments should be cut at least by 20 per cent in the first year of the implementation. The framework also aims to reduce the circumvention of the reduction commitments, for example, through switching of support between products which was possible under the structure of the Aggregate Measurement of Support (AMS). In order to take account of the special role of agriculture with respect to development, developing countries will not be required to cut certain domestic support provided to subsistence and resource-poor farmers.

29. In the market access pillar, "substantial overall tariff reductions" are to be achieved, with high tariffs subject to the biggest cuts. However, under the concept of "sensitive products", developed countries can maintain a high level of tariff protection on specific products provided that they expand the tariff rate quotas on these products and that they compensate for this with greater liberalization for other products. Developing countries will face lesser tariff reductions, as a form of special and differential treatment, and will have the right to designate "Special Products" and to apply a "Special Safeguard Mechanism" for food security and rural development purposes. Despite the strong appeal from developing countries, however, the framework agreement does not foresee any provisions regarding non-

tariff-barriers. Incidence of non-tariff-barriers has been increasingly felt as tariffs are lowered thereby affecting their market entry conditions. For least developed countries, it is agreed that they would be exempted from any reduction commitment, and their concern for guaranteeing duty- and quota-free market access would be addressed in the negotiations.

30. On the cotton initiative of several African countries, it was decided that cotton would be dealt with as part of the agriculture negotiations, but that it would be "addressed ambitiously, expeditiously and specifically" under a newly established subcommittee on cotton. The negotiations will encompass all trade-distorting policies affecting the sector, from import tariffs, trade-distorting domestic support subsidies and export subsidization.

31. Special and differential treatment (SDT) is recognized as an integral part of all elements of future agricultural negotiations. It would be particularly crucial as regards the market access pillar. Commitments by developed countries to substantially reduce domestic support and to eliminate export subsidies are seen as serving only to correct the existing long-standing imbalance in the Agreement on Agriculture[10] at the expense of developing countries. Therefore, effective SDT would to a large extent be an issue for the market access pillar in terms of both increased market access for developing countries and ensured flexibility to protect their sensitive sectors and Special Products.

Market access for non-agricultural products

32. On market access for non-agricultural products (see WT/L/579, annex B), participants have agreed on the "initial elements" of modalities for future negotiations. In fact, nothing from the previous texts, including the so-called Derbez text proposed and rejected in Cancún, has been changed much, except that the provision for the elimination of tariffs in sectors designated as being of "export interest" to developing countries is no longer mandatory, but exhortatory. The aims are kept ambitious, but the specifics of key elements such as the tariff reduction formula, the special terms for developing countries and the issue of preference erosion remain to be negotiated later.

33. The proposed elements of the framework for a reduction of tariffs are as follows:

- An ambitious formula to cut tariffs: a non-linear formula to be applied on a line-by-line basis, with deeper cuts for higher tariffs for all products, without a priori exclusions. The issue of a non-linear formula, which may result in deeper cuts for high tariffs, may represent a difficult policy option for some developing countries. These countries are concerned that a non-linear formula would require them to make greater tariff cuts, contrary to the provision of the Doha Ministerial Declaration (A/C.2/56/7, annex) for less than full reciprocity. The text also foresees possibilities for more ambitious tariff cuts/elimination for certain sectors (so-called sectoral initiatives), including those of interest for developing countries.
- Credit for autonomous liberalization by developing countries, but only since the end of the Uruguay Round (1994). This in effect excludes earlier — and hence the most substantial — liberalization by many developing countries.

- Conversion of specific and compound duties into ad valorem equivalents, an objective that is not envisaged in the market access part of the framework on agriculture.

- Special treatment of developing countries: developing countries would have longer transition periods and flexibilities in tariff cuts.

- Exemption of least developed countries from tariff reductions. They will be required only to substantially increase the level of their tariff bindings in order to enhance transparency and predictability of their trade. Developed countries and "other participants who so decide" are invited to provide least developed countries with duty-free and quota-free access to their markets to support diversification, and supply capacities and increase their integration into the multilateral trading system.

- Consideration of issues faced by non-reciprocal preference beneficiary developing countries, namely, erosion of preferences (for example, for ACP countries), but without providing any details. It will be important that this be addressed through the use of both trade and development instruments that not only provide adjustment support, but also help build sustainable supply capacity, especially in least developed countries.

- Provision of general guidelines for addressing the issue of non-tariff barriers to trade through notification, identification, examination, categorization and ultimate negotiations.

Services

34. The framework ("recommendations") basically reiterates previous objectives for this segment of negotiations, while emphasizing the need to ensure high quality of offers. Revised offers are to be made by May 2005, though it is highly unlikely that all developing countries or least developed countries will be in a position to make their new or revised offers by then.

35. Although services did not attract much attention in the July framework negotiations, it remains a core agenda item under the Doha work programme. As of 1 August 2004, out of 147 World Trade Organization members, 44 had made their initial offers, of which 29 were presented by developing countries. Most developing countries are still in the process of identifying their specific sectoral (for example, tourism and professional services) and modal (for example, Mode 4: temporary movement of natural persons, Mode 1: transborder supply and Mode 2: consumption interests abroad), the barriers to their services exports, the impact of requests by developed countries on their services sectors, and ways and means of overcoming supply constraints through implementation of the General Agreement on Trade in Services,[11] articles IV and XIX, which call for efforts towards increasing participation of developing countries in the international trade in services. Progress needs to be made on the assessment of trade in services, which remains an integral part of the negotiations on services.

36. World Trade Organization members also agreed in general terms to pursue their services trade liberalization in sectors and modes of supply of export interest to developing countries. So far, among initial offers submitted, some major developed countries have made no improvements in their market access commitments for Mode 4. The new offers continue to cover measures regulating commercial presence

substantially more than measures regulating other areas. Furthermore, developing countries are seeking to prevent protectionist backlash, which could undermine continued growth of information technology (IT)-enabled services trade and affect expanding geography of cross-border trade in services. Locking in current liberal regimes regulating this type of trade would ensure that the interests of developing countries are reflected in the negotiations. Through the reconfirming of no a priori exclusions of services from these negotiations, developing countries will be able to pursue their interests in such services sectors as audio-visual and maritime services, sectors in which World Trade Organization members have made by far the smallest number of commitments.

37. The balanced outcome in negotiations would also depend on progress in General Agreement on Trade in Services rule-making. In particular, negotiations on Emergency Safeguard Measures remain one of the most contentious areas notwithstanding the strongest mandate to conclude them. Developing countries have emphasized the need for the disciplines on Emergency Safeguard Measures to allow them to address implications of liberalization, given the fact that trade in services liberalization has only recently been assimilated by most of them, including their private sectors. Little progress has been achieved in the discussions under article XV of the General Agreement on Trade in Services concerning the need for and possible scope of disciplines on subsidies in services. World Trade Organization members have not been forthcoming in contributing to the exchange of information mandated by article XV on subsidies, which may have trade-distorting effects. Article XIII of the General Agreement on Trade in Services provides for negotiations on government procurement of services, but these have not yet produced any concrete results. In addition, negotiations concerning disciplines on domestic regulation have also produced few results so far.

Singapore issues

38. Negotiations on trade facilitation (improving the movement, release and clearance of goods, including goods in transit) are officially launched, with reassurance for developing countries that they will not be required to take on commitments that they cannot implement, inter alia, for financial reasons, and promises to them of substantial support and assistance in implementing future commitments. Particularly important to developing countries is the recognition of the principle that the extent and timing of entering into commitments would be related to the implementation capacities of developing and least developed countries and that, in cases where they lacked the necessary capacity, implementation would not be required. The other Singapore issues — trade and investment, trade and competition policy, and transparency in government procurement — are completely dropped from the negotiating agenda. This will allow developing countries to focus on core development-oriented areas in the negotiations, without their having to be distracted from their scarce capacities and resources in order to address new and complex subjects.

Development issues

39. The agreement reiterates calls for the strengthening of World Trade Organization provisions on special and differential treatment in favour of developing countries and implementation issues. It instructs the Committee on Trade and Development in Special Session to complete the review of all categories

of special and differential treatment provisions with clear recommendations for a decision by July 2005. On implementation issues, the General Council should review progress and "take any appropriate action" no later than July 2005 on the basis of the report of the Director-General of the World Trade Organization to be submitted no later than May 2005. These deadlines seek to avoid the previous pattern of work on development issues since the launch of the Doha negotiations, characterized by the fact that set deadlines were not met, and minimal progress was achieved.

40. In addition, it was also agreed that special attention should be given to the specific trade and development-related needs and concerns of developing countries, including capacity constraints. In this context, the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system should also be addressed, without creating a subcategory of members, as part of the Doha work programme.

41. While recognizing the progress made since the Fourth Ministerial Conference of the World Trade Organization held at Doha in expanding trade-related technical assistance to developing countries and low-income countries in transition, the General Council decision affirmed that such countries, and in particular least developed countries, should be provided with enhanced trade-related technical assistance and capacity-building, to increase their effective participation in the negotiations, to facilitate their implementation of World Trade Organization rules, and to enable them to adjust and diversify their economies. In this context, the General Council welcomed and further encouraged the improved coordination with other agencies, including under the Integrated Framework for Trade-related Technical Assistance for the Least Developed Countries (IF) and the Joint Integrated Technical Assistance Programme (JITAP).

Other issues

42. In the negotiating areas of rules, trade and environment, and trade-related aspects of intellectual property rights (TRIPS), the General Council took note only of the reports submitted to the Trade Negotiations Committee by the relevant negotiating bodies. The commitment to progress in all of these areas of the negotiations in line with the Doha mandates was reaffirmed.

43. On dispute settlement, the General Council also took note of the report to the Trade Negotiations Committee submitted by the Special Session of the Dispute Settlement Body and reaffirmed members' commitment to progress in this area of the negotiations in line with the Doha mandate. Furthermore, the General Council adopted the recommendation of the Trade Negotiations Committee that work in this area should continue on the basis set out by the Chairman of that body in his report to the Committee.

44. The General Council decision also extended the moratorium on imposing customs duties on electronic transmissions up to the Sixth Ministerial Conference of the World Trade Organization, to be held in December 2005.

45. Finally, the General Council agreed that the decision and its annexes should not be used in any dispute settlement proceeding under the World Trade Organization Dispute Settlement Understanding[12] and should not be used for interpreting the existing World Trade Organization Agreements.

46. Working Groups on Trade and Transfer of Technology, and on Trade, Debt and Finance, will continue their activities, as foreseen in the Doha work programme.

C. World Trade Organization dispute settlement

47. The number of cases brought before World Trade Organization dispute settlement panels has continued to rise since 1995: a total of 312 cases have been filed with the Dispute Settlement Body (up to 16 June 2004). Of these, 125 have resulted in panels covering 155 disputes.[13] The majority of dispute settlement cases involved developed countries (about 60 per cent of all cases), while the developing countries' share was some 40 per cent. The main areas of complaints are subsidies, anti-dumping, import licensing and safeguard measures.

48. Several recent dispute settlement cases may have significant direct or indirect implications both for the Doha negotiations and for wider systemic aspects of the multilateral trading system. These cases, among others, involved:

- United States Foreign Sales Corporations (FSCs): export subsidies (complaint by EU). EU was authorized to impose a record US$ 4 billion of sanctions on United States exports, while the respective compliance legislation was still debated in the United States Congress.
- United States: Reviews of Countervailing Duty on Softwood Lumber from Canada. This case may have implications for refining methodology in calculating the amount of countervailing duties, in particular as regards comparison of prices.
- United States: Definitive Safeguard Measures on Imports of Certain Steel Products. In December 2003, the United States called off these measures, thus defusing this politically damaging dispute involving up to 20 World Trade Organization members.
- EU: Tariff Preferences accorded to developing countries (complaint by India). This dispute resulted in the conclusion in the Appellate Body's ruling that preference-giving countries may differentiate among various developing countries subject to objective criteria applied.
- Two ongoing cases: United States: Subsidies on Upland Cotton (complaint by Brazil); and EU: Export Subsidies on Sugar (complaint by Brazil, Thailand and Australia). Reportedly,[14] in both cases, interim panel rulings recognized that the subsidies in question were not consistent with the United States and EU obligations under the World Trade Organization.

V. Regional arrangements and other developments

A. Regional arrangements

49. The proliferation, expansion and deepening of regional trade agreements have been one of the most remarkable developments during the past decade, in particular since the creation of the World Trade Organization. Today, a total of more than 210 regional trade agreements are in force. It has been estimated by the World Trade Organization secretariat that, if another 60 regional trade agreements that are

currently under negotiation and another 30 that are in a proposal stage are concluded, the total number of regional trade agreements in force would surpass 300 by 2007.[15] Consequently, regional trade agreements altogether accounted for some 40 per cent of world trade in 2000 and are estimated to cover over 50 per cent in 2005.

50. A major development in the expansion of regional trade agreements has been emergence of North-South regional trade agreements (for example, between the United States and Jordan, the United States and Morocco, and as reflected in the ongoing negotiations on the EU-Southern Common Market (Mercosur) free trade agreement, etc.). Traditionally subject to various unilateral preferences schemes, a number of developing countries are in the process of transforming their trade and economic relations with previously preference-granting developed countries into reciprocal free trade areas, as is the case with the ACP-EU negotiations for an economic partnership agreement under the new Cotonou Agreement and the pan-American negotiations for the Free Trade Area of the Americas (FTAA). A challenge facing developing countries in these novel forms of regional trade agreements involves their need to design the appropriate degree and pacing of regional liberalization, as well as to retain policy space and special and differential treatment.

51. Regional integration agreements among developing countries (South-South agreements) are in no way excluded from the process of expansion, proliferation and reinvigoration as undergone by the regional trade agreements. A number of South-South arrangements have accelerated their internal liberalization programmes on trade in goods and embarked on the challenging stage of liberalizing trade in services. Global South-South trade cooperation through GSTP provides a substantial complementary means for developing countries to increase and expand their interregional trade, investment and economic cooperation. In this context, the decision reached at the eleventh session of UNCTAD to start the new GSTP round in November 2004 is quite timely and calls for the concerted efforts of participants, other Group of 77 countries and China to give it substance and momentum.

B. Other developments

52. UNCTAD continues to facilitate cooperation between commodity producers and consumers. In particular, UNCTAD is mandated to convene United Nations conferences for negotiating and renegotiating international commodity agreements. In 2003-2004, UNCTAD took an active part in preparatory processes for two United Nations renegotiating conferences (on tropical timber and on olive oil and table olives). The United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994, at its first session (Geneva, 26-30 July 2004) adopted the draft document for negotiations in 2005.

53. With regard to the special needs of small economies, small island developing States and landlocked developing countries, the São Paulo Consensus emphasized that priority should be given to the full and timely implementation of the Almaty Declaration[16] and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries,[17] adopted by the International Ministerial Conference of Landlocked and Transit Developing

Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, held in Almaty on 28 and 29 August 2003. All efforts should also be made to ensure a successful outcome of the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States,[18] to be held in Mauritius from 10 to 14 January 2005.

VI. Conclusions

54. The positive outcomes of the eleventh session of UNCTAD and the recent developments in World Trade Organization negotiations have underscored the shared interests of the international community in advancing the multilateral trade negotiations under the Doha work programme and in identifying practical and tangible inputs for achieving the Millennium Declaration Goals, and the objectives of the Monterrey Consensus of the International Conference on Financing for Development[19] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation").[20] The eleventh session of UNCTAD, in particular, should be credited for having provided concrete policy analysis and actions for "upholding and safeguarding an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system" (TD/410, para. 67). New confidence has emerged testifying that this objective is within reach, provided that the political resolve and positive spirit of cooperation will prevail, particularly in the Doha negotiating process. In this respect, UNCTAD will keep and strengthen its important role in facilitating consensus on the international trading system in respect of development convergence and solidarity and in accordance with the São Paulo Consensus.

Notes

[1] See background note by the UNCTAD secretariat for the eleventh session of UNCTAD, entitled "Assuring development gains from the international trading system and trade negotiations" (TD/397), 4 May 2004.

[2] See World Trade Organization, *Annual Report, 2004* (Geneva, 2004).

[3] See document entitled "New geography of international trade: South-South cooperation in an increasingly interdependent world" (TD/404), 4 June 2004, prepared for the high-level segment of the eleventh session of UNCTAD.

[4] For a more detailed review of the recent situation in commodity markets, see the report of the Secretary-General to the General Assembly on world commodity trends and prospects (A/59/304) of 27 August 2004.

[5] Document TD/L.382 of 17 June 2004.

[6] Document TD/410 of 25 June 2004.

[7] The commitment "to an open, equitable, rule-based, predictable, and non-discriminatory trading and financial system".

[8] Doha Work Programme: decision adopted by the General Council on 1 August 2004 (WT/L/579) of 2 August 2004.

[9] Support under production-limiting programmes.

[10] For the full text of the Agreement on Agriculture, see http://www.wto.org/english/tratop_e/agric_e/agric_e.htm.

[11] For the full text of the General Agreement on Trade and Services, see http://www.wto.org/english/tratop_e/serv_e/gatsintr_e.htm.

[12] For the full text of the Understanding on Rules and Procedures Governing the Settlement of Disputes (annex 2 of the Agreement Establishing the World Trade Organization), see http://www.wto.org/english/tratop_e/dispu_e/dsu_e.htm.

[13] See "Overview of Developments in the International Trading Environment: Annual Report by the Director-General" (WT/TPR/OV/9), 20 February 2004; and document WT/DS/OV/21 of 30 June 2004 entitled "Update of WTO Dispute Settlement Cases".

[14] *Financial Times*, 18 June and 4 August 2004.

[15] "Overview of Developments in the International Trading Environment: Annual Report by the Director-General" (WT/TPR/OV/9), 20 February 2004.

[16] *Report of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28 and 29 August 2003* (A/CONF.202/3), annex II.

[17] Ibid., annex I.

[18] *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 25 April-6 May 1994* (United Nations publication, Sales No. E.94.I.18 and corrigenda), chap. I, resolution 1, annex II.

[19] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[20] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

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Fifty-ninth session
Item 107 (a) of the provisional agenda*
Human rights questions: implementation of human rights instruments

Status of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families

Report of the Secretary-General

1. By its resolution 45/158 of 18 December 1990, the General Assembly adopted and opened for signature, ratification and accession the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, and called upon Member States to consider signing and ratifying or acceding to the Convention as a matter of priority.

2. The Convention entered into force on 1 July 2003 following receipt of the twentieth instrument of ratification of the treaty on 14 March 2003.

3. The First Meeting of States Parties to the Convention, which elected the members of the Committee on the Protection of the Rights of All Migrant Workers and Members of Their Families, was held in New York on 11 December 2003. The results of the election were as follows:

Name of member	*Country of nationality*	*Term expires on 31 December*
Francisco Alba	Mexico	2007
José Serrano Brillantes	Philippines	2005
Francisco Carrión Mena	Ecuador	2007
Ana Elizabeth Cubias Medina	El Salvador	2007
Ana María Dieguez	Guatemala	2005
Ahmed Hassan El-Borai	Egypt	2007

* A/59/150.

Name of member	*Country of nationality*	*Term expires on 31 December*
Abdelhamid El Jamri	Morocco	2007
Arthur Shatto Gakwandi	Uganda	2005
Prasad Kariyawasam	Sri Lanka	2005
Azad Taghizade	Azerbaijan	2005

4. The Committee held its first meeting in Geneva from 1 to 5 March 2004. The Committee met with representatives of the International Labour Organization as well as with the representatives of the International Organization for Migration, the Office of the United Nations High Commissioner for Refugees and the United Nations Children's Fund, all of whom expressed support for the Committee and their wish to cooperate with it. The Committee also met with representatives of several non-governmental organizations, including some of the members of the Steering Committee for the Global Campaign for the ratification of the Convention. It welcomed the contribution made by civil society both during the elaboration of the Convention and later in the efforts undertaken to promote its ratification by States. The Committee expressed the hope that NGOs would continue to work with the Committee both on promoting the ratification of the Convention and by providing the Committee with information relevant to its mandate.

5. As at 20 August 2004, the Convention had been ratified by the following 26 States: Azerbaijan, Belize, Bolivia, Bosnia and Herzegovina, Burkina Faso, Cape Verde, Colombia, Ecuador, Egypt, El Salvador, Ghana, Guatemala, Guinea, Kyrgyzstan, Libyan Arab Jamahiriya, Mali, Mexico, Morocco, Philippines, Senegal, Seychelles, Sri Lanka, Tajikistan, Timor-Leste, Uganda and Uruguay. In addition, the following 10 States have signed the Convention: Argentina, Bangladesh, Chile, Comoros, Guinea-Bissau, Paraguay, Sao Tome and Principe, Sierra Leone, Togo and Turkey. Further details on the signatures and ratifications of and accessions to the Convention may be found on the web site of the United Nations Office of Legal Affairs at http://untreaty.un.org.

6. In its resolution 58/166, the General Assembly called upon all Member States that had not yet ratified the Convention to consider urgently signing and ratifying or acceding to it as a matter of priority and called upon States parties to submit in a timely manner their first periodic report as requested in article 73 of the Convention; requested the Secretary-General to provide all the facilities and assistance necessary for the promotion of the Convention through the World Public Information Campaign on Human Rights and the programme of advisory services in the field of human rights; welcomed the increasing activities of the global campaign for the entry into force of the Convention, and invited the Organization and bodies of the United Nations system and intergovernmental and non-governmental organizations to intensify further their efforts with a view to disseminating information on and promoting the understanding of the importance of the Convention; welcomed the work of the Special Rapporteur of the Commission on Human Rights on the human rights of migrants in relation to the Convention and encouraged her to persevere in this endeavour; and requested the Secretary-General to submit an updated report on the status of the Convention to the General Assembly at its fifty-ninth session.

7. Furthermore, in its resolution 58/190, the Assembly requested all Member States, in conformity with their respective constitutional system, effectively to promote and protect the human rights of all migrants, in conformity with the Universal Declaration of Human Rights and the international instruments to which they are party, which might include the Convention.

8. On 18 December 2003, International Migrants Day, the Secretary-General again called upon Member States that had not yet done so to become party to the Convention.

9. The importance of ratifying the Convention has also been emphasized at a regional level. Thus, the General Assembly of the Organization of American States, at its thirty-fourth session, in its resolution 2027 of 8 June 2004, entitled "The human rights of all migrant workers and their families", resolved to acknowledge with appreciation the entry into force of the Convention and, accordingly, to urge member States to consider, as appropriate, signing and ratifying that instrument.

10. On 4 March 2004 a hearing on the Convention was organized in Brussels by the European Economic and Social Committee. A representative of the Office of the United Nations High Commissioner for Human Rights participated in the meeting. At its last plenary session, on 30 June and 1 July 2004, the Committee adopted an own-initiative opinion on the Convention, encouraging member States of the European Union to ratify it.

11. Furthermore, the Special Rapporteur on the human rights of migrants continued to promote adherence to the Convention within the framework of the mandate entrusted to her by the Commission on Human Rights. In 2003, the Special Rapporteur participated in several conferences, seminars and other events and gave speeches and lectures reiterating the importance of ratifying the Convention for the full and effective protection of the human rights of migrants.

12. Finally, through the programme of advisory services in the field of human rights, efforts have been pursued by the Secretariat to establish a dialogue with States that have not adhered to international human rights treaties, including the Convention. Workshops on ratification and reporting to human rights treaty bodies organized by the Office of the United Nations High Commissioner for Human Rights in 2003 have continued to emphasize the importance of ratifying the Convention.

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Item 26 of the provisional agenda*
The situation in Central America: progress in fashioning a region of peace, freedom, democracy and development

United Nations Verification Mission in Guatemala

Report of the Secretary-General**

Summary

The United Nations Verification Mission in Guatemala (MINUGUA) is slated to close in December 2004. This is its final report on implementation of the 1996 peace agreements. The report indicates that Guatemala has made significant progress and laid a firmer foundation on which to construct a better future. Yet serious problems persist whose resolution will require the dedication of all Guatemalans. The United Nations system will continue to accompany Guatemala as a more just, equitable and peaceful society is built.

* A/59/150.

** The document was submitted late to the conference services without the explanation required under paragraph 8 of General Assembly resolution 53/208 B, by which the Assembly decided that, if a report is submitted late, the reason should be included in a footnote to the document.

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I. Introduction

1. The present report is the ninth and final report of the Secretary-General on implementation of the Guatemalan peace agreements. In addition to summarizing political developments during the past year, it aims to assess progress in consolidating the peace and building the better society envisaged in the agreements. This evaluation is being delivered at a critical juncture for Guatemala. The third democratically elected Government to hold office since the signing of the peace is in its first year and the United Nations Verification Mission in Guatemala (MINUGUA) is preparing to close after 10 years in which its presence has been a crucial support to the implementation of the accords.

2. The departure of MINUGUA at the end of 2004 will mark the end of United Nations verification and the beginning of a new and necessary phase of the peace process, one in which national actors assume full responsibility for monitoring and promoting peace accords implementation. In anticipation of that day, MINUGUA has been engaged in a two-year phase-down of operations and in carrying out a transition strategy designed to build national capacity to promote the goals of the peace accords. The efforts are directed at key State institutions, such as the Office of the Human Rights Ombudsman, and at civil society organizations likely to remain engaged in peace-building efforts in the future.

3. The centrepiece of the transition effort during 2004 has been the National Transition Volunteers Programme, through which 60 young Guatemalan professionals, mostly indigenous, have gained valuable experience as verifiers and promoters of the peace accords. The strategy has also sought to guarantee follow-through on peace accords priorities by the United Nations system in Guatemala, including the Office of the United Nations High Commissioner for Human Rights, which reached an agreement with the Government of Guatemala to establish an in-country office that would provide observation and technical assistance following the exit of MINUGUA.

4. MINUGUA has also used this final period to reinforce the peace agenda in the emerging policies of the new authorities who took office in January 2004. The Mission produced a comprehensive set of policy recommendations and has reviewed them with senior government officials, governors, mayors, legislators, justice officials and leaders in civil society. During his visit to Guatemala in May 2004, the Under-Secretary-General for Political Affairs, Kieran Prendergast, underscored that the peace accords should remain Guatemala's basic blueprint for development.

5. The combined impact of MINUGUA efforts during this final year should be to help place implementation on the most solid footing possible as the Mission departs. A more detailed description of the Mission's closure and transition efforts will be provided later in the year in the end-of-Mission report requested by the General Assembly in its resolution granting MINUGUA a final one-year extension through 2004 (resolution 58/238).

II. Political context

6. The political environment has improved considerably since my last report (A/58/267), issued amid a tense electoral campaign that sorely tested Guatemala's democracy. The candidacy of former military ruler Efraín Ríos Montt had further

divided a country already polarized over the administration of President Alfonso Portillo, whose term was chequered by corruption allegations, weakened rule of law and stagnation in important areas of the peace process. The decision of the Constitutional Court to permit Ríos Montt's candidacy — and mob violence by the former general's supporters in July 2003 — raised fears that the elections would be subverted by fraud and intimidation.

7. The result was just the opposite. Guatemalans voted peacefully in two rounds of nationally and internationally observed elections, choosing as their President former Guatemala City mayor Oscar Berger and also electing new legislators and mayors. The defeat of Ríos Montt, under whose 1982-1983 rule the army committed some of the worst atrocities of the conflict, was a sign that Guatemalans were rejecting the past and looking towards the future. The campaign also reinforced the peace accords on the national agenda, as all of the leading political parties and candidates signed declarations pledging their support for implementation. On 29 December 2003 — the day after the election and the seventh anniversary of the signing of the peace accords — President-elect Berger enthusiastically received a petition by more than 300 civil society organizations and leaders urging that the accords remain the guidepost for public policy under the new administration.

8. The orderly handover of power in January brought a sense of relief and renewed optimism after four years of conflict between the Government of President Portillo of the Frente Republicano Guatemalteco (FRG) and a broad-based opposition, including civil society groups, the private sector and news media. The change also created high expectations that will be hard to meet, considering the magnitude of the problems to be addressed and the political and financial constraints facing the new Administration. Congressional elections yielded no clear majority. A severe shortfall in State finances forced the Government initially to announce cutbacks and austerity plans. A stopgap tax package approved in June 2004 provided some temporary relief, but was insufficient to finance the sustained increases in public spending that will be needed to make major improvements in peace accord priority areas such as education, health care, public security and justice. The strong presence in the Cabinet of leaders from the traditionally conservative Guatemalan private sector led some to question whether the new Government would fulfil its promise to govern with social responsibility, in the interest of all.

9. The Government made several welcome public commitments to the peace accords and human rights during its first months in office. On 25 February, President Berger held a ceremony at the National Palace at which he symbolically "relaunched" the accords as Guatemala's national agenda, pledging to reinvigorate implementation with the support of a new National Peace Accords Commission composed of officials of the three branches of State, political party delegates and respected civic leaders. The Commission, however, got off to a slow start in defining its mission. The President used the same ceremony to issue a public apology, in the name of the State, for the atrocities committed during the conflict. In early July, the Government provided seed funding for a National Reparations Programme for the victims of human rights violations committed during the conflict. It also named Rosalina Tuyuc, a respected indigenous leader and victims' representative, to head the commission overseeing the programme. Indigenous leader and Nobel laureate Rigoberta Menchú accepted President Berger's invitation to collaborate in the ad honorem role of good-will ambassador for the peace accords.

10. The most substantial government actions came in the military realm, including dramatic army cuts completed in June 2004 that reduce force levels and the budget far beyond the requirements of the peace accords. The Government also continued to close outmoded counterinsurgency bases, presented a new human rights-based military doctrine developed in discussions with civil society groups and inaugurated a civilian Advisory Council on Security tasked with advising the President on national security matters. These steps, all taken in compliance with the peace accords, came just months after the former Administration, in one of its last actions, finally dismantled the Presidential General Staff (EMP), a guard unit that carried out political assassinations during the conflict and long served as a vehicle for military control over the presidency.

11. The months following the change in Administrations also saw aggressive action to investigate and punish former officials of the FRG Government and associates for corruption and other crimes. Although many Guatemalans welcomed these actions as breakthroughs against impunity and in restoring public confidence in Government, some concerns were also raised that justice was being politicized.

12. One of the few laws to be approved by the new Congress was an important reform to the Electoral and Political Parties law called for in the peace accords. The changes require Guatemala to implement a unified identity and voter registration document and to establish voting centres outside the major municipalities, which should increase participation by indigenous people.

13. Violent crime and insecurity continued to be the focus of public concern, drawing attention to the steady deterioration of the National Civilian Police (PNC). The Government responded by reinstating joint army-police patrols, urging greater community involvement and instituting a gun buy-back plan to reduce illegal firearms in circulation. As public pressure intensified for results against crime, President Berger appointed a new Interior Minister and National Civilian Police chief in July 2004. Civil society organizations and MINUGUA urged a more comprehensive effort to strengthen PNC and its academy and to purge the force of criminal elements. Rising numbers of homicides against women — police statistics show 383 killings in 2003 and 257 in the first half of 2004 — prompted the visit in February 2004 of Yakin Erturk, the United Nations Special Rapporteur on violence against women, its causes and consequences, and the creation of a police unit to investigate such cases.

14. The change in Administrations also brought with it a troubling increase in forced, sometimes violent, evictions of squatters, a trend that gave the impression of undue deference by the Government to the demands of landowners. Peasant groups mounted nationwide demonstrations and road blockades in June 2004 to demand land and rural development policies and to protest the evictions, which created a serious humanitarian problem for peasant families thrown off properties. The Government's promise to analyse the situation and review the legality of the evictions defused the crisis momentarily, but the underlying problems remain and the issue stands as a potential source of future tension.

III. Implementation of the peace accords, 1996 to 2004

15. With the signing on 29 December 1996 of the Agreement on a Firm and Lasting Peace, more than three decades of conflict came to an end and a far-

reaching project was launched to unite a fragmented society and transform a militarized State that had abused human rights massively during the conflict, perpetuated social inequalities and systematically excluded indigenous peoples, who comprise half or more of the population. The peace also signaled the successful conclusion of United Nations mediation in Central America's only remaining armed conflict and the assumption by the Organization of a new responsibility to verify the comprehensive peace settlement.

16. Implementation of the agreements has been a tough uphill struggle, plagued by obstacles and setbacks and the resistance of powerful groups that feel threatened by change. Successive Governments have sworn to carry out the accords and then shown inconsistent political will to do so. The same can be said of the other branches of State that share responsibility for implementation. During much of the period, progressive forces in Guatemala have shared with MINUGUA a sense of frustration about the pace of progress. Had the accords been implemented over the years with greater conviction and dedication, the country would be in a far better situation today.

17. At the same time it is clear that substantial progress has occurred. Guatemala is changing in many ways for the better and the peace accords have been the main source of ideas and inspiration. Thus, any balanced evaluation of the results of the past eight years should focus on achievements as well as shortcomings. It should take into account the complexity of the challenges undertaken, the relatively short time frame since the end of the conflict and some of the obstacles that have impeded implementation independently of political will.

18. To begin with, the Guatemalan peace accords are ambitious. The 13 agreements and more than 300 specific commitments contained therein constitute a broad and detailed blueprint for political, economic, social and cultural change. In that sense, the accords were more wide-ranging and complex than those that ended the conflict in neighbouring El Salvador four years earlier and served as an important reference point for the Guatemalan negotiations. Some of the issues were particularly difficult to resolve. For example, in promoting an end to discrimination against indigenous people, the accords struck the main fault line dividing Guatemalan society, a problem dating back to colonial times and likely requiring generations to overcome.

19. The first phase of the process went fairly smoothly; the ceasefire held, the rebels were demobilized and disarmed, the army reduced, a new police force created, civil defence patrols and military commissioners disbanded and refugees returned. Yet this period, largely completed within the first two years after the signing of the peace, was to be followed by a far more difficult phase — still in progress today — requiring deep structural changes, legal and institutional reforms and the development and financing of a wide array of policies and programmes to overcome the legacies of the conflict as well as its root causes. The primary responsibility for carrying out these reforms would fall on the same Guatemalan State — historically plagued by corruption, lacking in resources and without a stable or qualified civil service — whose very weaknesses were amply acknowledged in the accords.

20. Expectations were high. The peace accords were originally on a four-year timetable through the year 2000. That calendar was subsequently extended through 2004 when it became clear that implementation would be a longer-term process.

Today, most observers agree that the timetables were too demanding and that substantially more time will be necessary before the peace agreements are fully realized.

21. Another salient feature of the Guatemalan peace accords is the extensive opportunities they created for participation by civil society in the implementation process. Multiple commissions created under the agreements brought non-governmental representatives, popular organizations and indigenous leaders to the table with government officials in unprecedented consensus-building exercises that resulted in draft legislation or the design of new programmes. The result has been largely positive in making the exercise of Government more democratic and transparent. Too often, however, authorities did not act upon proposals developed through consensus with civic groups. Moreover, the capacity of civil society to participate effectively in shaping public policies under the accords has only developed over time and with the shedding of deep feelings of distrust towards the State that had developed during the conflict. The imperative on participation and consensus-building has at times slowed the implementation process, enabling the Government and other State institutions to evade their responsibilities and substitute dialogue for action.

22. The process was also affected by the lack of strong national constituencies supportive of the accords and capable of pressuring successive Governments to implement them. Although the negotiating process broadly involved organized civil society groups, the idea that the agreements represented a full national consensus was later questioned by some sectors of Guatemalan society — the private sector and some political parties included — that either opposed the accords or claimed not to have been sufficiently represented or consulted in the negotiating process. Despite its historic contributions, the Unidad Revolucionaria Nacional Guatemalteca (URNG) has not become a strong political force on the national level capable of exerting effective pressure for implementation. The general public remained uninformed about the accords, as successive Governments ignored commitments to publicize their content. These were among the ingredients that led to the biggest single political setback to the process, the defeat of a 1999 referendum on constitutional reforms mandated by the peace agreements.

23. In the absence of stronger national ownership, assistance and pressure from the international community — including MINUGUA — became critical in shoring up political will to comply with the agreements. Governments have seemed at times to respond more to the international community than to domestic constituencies. This was evident in the Consultative Group meetings of 2002 and 2003, in which advances on the peace agenda emerged largely from political dialogue between the Government and donors. Many of the new institutions and programmes developed under the peace agreements came to depend heavily on international financing instead of being fully assumed as part of the national budget. While strong international pressure and support helped to sustain attention to the peace agenda through difficult years, there is now both a need and an opportunity for Guatemalan national actors to be stronger motors of the process.

24. With these general considerations in mind, following is a more detailed examination of progress in the four substantive areas that have been the focus of MINUGUA verification: (i) human rights, the administration of justice and the fight against impunity; (ii) identity and rights of indigenous peoples; (iii) demilitarization

and the strengthening of civilian authority; and (iv) socio-economic aspects, the agrarian situation and gender issues.

A. Human rights, the administration of justice and the fight against impunity[1]

25. The peace accords promised an end to decades of State-sponsored political repression in Guatemala and the establishment of legal and institutional guarantees that human rights would be respected in the future — essentially through the dismantling of repressive structures and a comprehensive reform of the security and justice sectors which, during the armed conflict, had been corrupted and subordinated to the military. Under the terms of the Comprehensive Agreement on Human Rights, the Government pledged to respect civil and political rights, to strengthen the justice system and human rights institutions, to combat impunity and to develop compensation programmes for the victims of State-sponsored human rights violations during the conflict.

26. Eight years later and despite only limited success in consolidating the rule of law and overcoming impunity, the overall assessment of progress in human rights is positive. The human rights issues facing Guatemala today, worrisome as they are, are of a wholly different order than those of the past.

27. With the end of the conflict came an end to the State-sponsored policies of abuse and along with that, an immediate and enduring reduction in the level and severity of the violations. URNG definitively laid down its arms and at no time threatened to resume hostilities. The Guatemalan political system became more open and competitive, as seen in the conduct of democratic elections and in the free functioning of the news media, trends begun with the return to civilian rule in 1986 and reinforced since the signing of the accords. Key international human rights instruments have been ratified and human rights are now deeply ingrained in public discourse. There is a vocal and active non-governmental human rights community. Small gains have been registered against impunity, with several military officers convicted for human rights crimes in landmark cases in recent years.

28. The main challenge today is to consolidate the rule of law amid a surge in crime and manifold evidence that key institutional reform processes launched under the peace accords have lost momentum and in some cases gone backwards. Without a more solid legal and institutional framework for protection in place, the substantial gains in human rights described above will be undermined.

29. The problems persist despite the considerable efforts to reform and modernize the justice sector, carried out under the framework of the peace accords and with the support of international donors. Among the advances are the creation of a new civilian police force, an independent Public Prosecutor's Office and a Public Defender's Institute; a judicial career law which has improved the selection, training and evaluation of judges; improved technology and expansions in the physical infrastructure of the courts; improved access for indigenous people through the

[1] A more complete examination of the state of human rights and justice reform efforts since the signing of the peace in Guatemala can be found in the fourteenth report of MINUGUA on human rights (A/58/566).

hiring of bilingual staff and interpreters and the creation of five Justice Administration Centres in predominantly indigenous areas of the country.

30. These and other efforts have had little discernible impact, however, on the performance of the justice system. The vast majority of serious crimes still go insufficiently investigated and unpunished. Judicial impunity remains today the rule rather than the exception, which has contributed to a lack of public confidence in the justice system and the persistence of lynching in rural areas where justice is particularly weak. To varying degrees, all of the institutions of the Guatemalan justice system suffer from the same kinds of deficiencies that plagued their performance at the time of the signing of the peace accords — a lack of resources, insufficient presence in rural areas, inadequate training and career development for officials, corruption and a lack of coordination among them.

31. The 1999 report of the Historical Clarification Commission was a major step in documenting a past in which government security forces were found responsible for acts of genocide and the vast majority of the deaths of some 200,000 people in the conflict, mostly civilians. Yet Guatemala has largely had truth without justice and this has fostered bitterness and impeded national reconciliation. The convictions of former military officers in the 1990 killing of anthropologist Myrna Mack and the 1998 murder of Bishop Juan Gerardi were historic firsts made possible through extraordinarily persistent efforts by human rights defenders and Guatemalan justice officials, supported by the international community. Bu. attempts to investigate and prosecute security force members for atrocities committed during the conflict have been generally unsuccessful; those who try have been subject to threats, violence and years of judicial obstruction.

32. Human rights defenders operate far more freely than in the past, but continue to complain of harassment, albeit at lower levels than reported during the previous Administration. The National Human Rights Movement reported 18 incidents during the first half of 2004, mainly threats received by human rights organizations or others involved in judicial processes. It was the persistence of these kinds of incidents and the inability of the justice system to clarify their origin that inspired the former Government to reach agreement with the United Nations in December 2003 to create CICIACS (Commission for the Investigation of Illegal Groups and Clandestine Security Organizations), a special commission to investigate clandestine groups that are believed to be responsible. While supportive of the initiative, the new Government withdrew it from Congress in May 2004 amid constitutional objections put forth by some lawyers and legislators. The proposal was then submitted to the Constitutional Court, which declared several articles of the agreement unconstitutional. The Government said it remained committed to creating CICIACS and would propose modifications to the United Nations after holding consultations with human rights groups and other interested national actors.

33. Public security remains the single most important concern to Guatemalans, who are suffering under a surge in violent crime common to post-conflict societies. Guatemala's location in the drug trafficking corridor between South America and the United States of America makes it especially vulnerable to organized crime groups that have used corruption to infiltrate law enforcement institutions. The deplorable condition of the National Civilian Police has not only allowed crime to proliferate, but has also resulted in increasing and serious cases of abuse by

individual members of the police force, including kidnapping, social cleansing and torture.

34. Little was done in the first six months of the new Administration to address the structural problems in the justice system described above. However, the Government's willingness to accept the rulings of the Inter-American Court of Human Rights in the Myrna Mack killing and several other high-profile cases sent a positive message on human rights after many years spent challenging allegations of State responsibility in this arena. The naming of a well-regarded human rights activist, Frank Larue, to head the Presidential Commission on Human Rights (COPREDEH) has instilled new dynamism in this institution.

35. Reparations to victims of human rights abuses during the conflict, a key recommendation of the Historical Clarification Commission, will be a test of Guatemala's commitment to human rights. The new Government's support for the start-up activities of the National Reparations Programme is a good first step, but the programme still needs to be placed on firmer legal footing and to receive the full financing it requires. The treatment of human rights victims has stood in sharp contrast to that accorded former civil patrollers, who began in 2003 to receive cash payments for their services, irrespective of their involvement in human rights abuses during the conflict and the lack of any provision for compensation in the peace accords.

36. Another pressing necessity in human rights is to strengthen the Office of the Human Rights Ombudsman, whose constitutional mandate to promote and monitor human rights becomes all the more essential following the departure of MINUGUA. Serious budgetary constraints are limiting this institution's effectiveness, despite the higher public profile and activism taken since the naming in 2002 of a new Ombudsman from a slate of candidates proposed by non-governmental organizations.

37. The ongoing human rights problems described above (and in the subsequent section on identity and rights of indigenous peoples) merit continued international observation and assistance. The proposed office of the High Commissioner for Human Rights would make an important contribution in that regard.

B. Identity and rights of indigenous peoples

38. Guatemala acknowledged in the peace accords that it could not advance and prosper as a nation without reversing a deep legacy of discrimination against the Mayan, Xinca and Garifuna peoples who compose roughly half of the population, but who have been systematically excluded from opportunities. Adding to a history of oppression dating back to colonial times, the indigenous population bore the brunt of the armed conflict, as confirmed by the Historical Clarification Commission, which determined that 83 per cent of those killed were members of Mayan communities and that the army committed acts of genocide against indigenous groups. At the signing of the peace agreements, Guatemala's racial and cultural diversity was largely absent from the country's legal framework and political debate, State institutions and educational system. Rural areas where most of the indigenous population resides exhibited the worst social indicators and received the lowest levels of public investment. Indigenous women were doubly victimized, suffering racial and gender discrimination at the same time.

39. The main vehicle for changing this situation was the Agreement on Identity and Rights of Indigenous Peoples, signed in March 1995, which promised a multifaceted effort to fight legal and de facto racism and to construct a multicultural, multiethnic and multilingual State. The accord put a premium on consultation between the State and the indigenous population, creating unprecedented opportunities for the indigenous population to have input into the design of policies on its behalf. The signing of the agreement was a watershed moment. Never before had the Guatemalan State so fully and openly acknowledged the extent of the nation's racial, cultural and linguistic divide. Never before had it so clearly committed itself to bridging this chasm.

40. Eight years into the implementation process, progress in this area has been more formal than substantive. Important reforms have taken place on the legal and institutional levels in the creation of special programmes and agencies envisaged by the peace accords. Unprecedented debate is taking place about the previously taboo topics of racism and discrimination. Yet the everyday reality for most indigenous people has changed little. The indigenous population continues to face seen and unseen barriers to advancement, continues to occupy the lower echelons of work and society and continues to be vastly underrepresented in politics and public life. The worst social indicators continue to be registered in the predominantly indigenous areas of the countryside lacking in basic infrastructure or decent public services. The failure of the 1999 constitutional reform — that would have declared Guatemala a multicultural State — was a major disappointment for indigenous leaders and organizations that had participated enthusiastically in the implementation process until that point, including in the many joint commissions set up to develop policies and legislation on issues such as land, education reform, indigenous religion and political participation.

41. Even without a constitutional foundation in place, some notable steps have occurred to combat discrimination and to make the State more reflective of Guatemala's diversity. In the legal arena, one of the most important changes was the passage in 2002 of decentralization legislation that guarantees seats for indigenous representatives in Departmental Development Councils that are the key institutions for development policy and planning at the local level. Since the signing of the accords, Guatemala has passed legislation that for the first time establishes racial and other forms of discrimination as crimes in the Guatemalan penal code. Other relevant legal reforms have yet to be enacted, including legislation called for in the peace accords to criminalize sexual harassment, to establish a land registry system and an agrarian legal code and legally to recognize communally owned lands. The lack of a policy for stimulating rural development hurts principally the indigenous population.

42. Seeds of change are also evident within the State apparatus, where the peace process has injected a multicultural focus that was previously absent in institutions as diverse as the Supreme Court, National Civilian Police, Labour Ministry and Office of the Human Rights Ombudsman. School curriculums are being rewritten and the number of bilingual schools and teachers gradually expanded, as are the number of bilingual justice officials and court interpreters. The right to practise indigenous spirituality and wear customary dress has been upheld in a number of court cases in recent years. New institutions of protection exist, including the Defender's Office for Indigenous Women of the presidency, although severe budget limitations restrict the reach and impact of most of these special entities created

under the peace accords. A 2002 Law on Indigenous Languages, requiring certain State services to be provided in indigenous languages, sets an important precedent but has yet to be implemented. The Presidential Commission to Combat Discrimination and Racism Against Indigenous Peoples, created in 2003, was tasked with evaluating State actions in this field and making recommendations.

43. Another area of progress, albeit preliminary, is in access by the indigenous population to communications media from which it has traditionally been excluded. The most important step was taken in late 2003 with the granting of a State-owned television channel, formerly held by the military, to the Academy of Mayan Languages, a potentially powerful tool for disseminating indigenous culture and perspectives to the general population and promoting inter-ethnic dialogue. Still pending approval by the Congress are reforms in the Telecommunications Law that would grant indigenous groups access to radio frequencies.

C. Demilitarization and the strengthening of civilian authority

44. Demilitarizing the Guatemalan State was a central goal of the peace accords, given the country's history of coups d'état, the military's violent past and the bloated role it came to play in politics and society during the conflict. The Agreement on Strengthening Civilian Authority and the Role of the Military contemplated multiple measures to reverse this situation: army reductions; redeployment for external defence instead of internal security; democratic reforms in the military doctrine, educational and justice system; the dismantling of units implicated in human rights abuses; and the creation of a national civilian police force and civilian intelligence capabilities.

45. Implementation of these commitments has been a slow and difficult process, met with substantial resistance from the armed forces. The army's annual budget repeatedly exceeded the target of 0.66 per cent of gross domestic product (GDP) established in the peace accords and the military continued to play an excessive role in civilian affairs. It also refused to dismantle many of its former counterinsurgency bases in the interior of the country even though these installations had no use in the peacetime defence of Guatemala's borders. Today, however, eight years into the process, momentum has shifted back in the right direction. The Guatemalan army is being transformed as envisaged in the peace accords.

46. The biggest changes have taken place over the past year, thanks to greater political will on the part of the Government. The decision to trim the army from 27,000 to 15,500 troops and officers during 2004 and the placing of a new military budget ceiling at 0.33 per cent of GDP (half the amount allowed by the accords) are the boldest such actions taken in many years. Base closings have accelerated to the point that today's deployment is largely consistent with the external defence configuration called for in the peace accords. The elimination of the Presidential General Staff and the creation of a professional civilian presidential security force in its place closed a long chapter of military meddling in the affairs of the President. A civic service law passed in 2003 gives youths the option of performing social service instead of mandatory military service. Late last year, the army completed a new National Defense White Book, in close consultation with civil society organizations. A new human rights-based military doctrine was presented publicly in July 2004. That these changes are being made without any significant resistance

from within the armed forces is a strong indication of progress in subordinating the army to civilian authority.

47. More still needs to be done to institutionalize civilian control over the armed forces and intelligence structures. Laws on access to information and the declassification of documents are needed to prevent the military from using national security arguments to conceal basic information. Constitutional reforms should be revisited at the appropriate moment to limit potential army involvement in internal security and to introduce civilian defence ministers, as exist in most democracies. Changes to the army's doctrine need to be complemented with human rights-based changes in the military educational system. The peace accords also called for creating a civilian intelligence structure within the Ministry of the Interior and the passage of an Intelligence Framework Law that would establish supervision over intelligence bodies and regulate their functions.

48. The National Civilian Police began promisingly with the creation of the new force and its academy in 1997. It grew to 20,000 agents nationwide over the next three years and gained acceptance by the population. Since then, neglect, constant turnover in leadership and corruption have combined to set the force on a downward spiral. One of the root problems was the recycling into the force of a large number of former members of the corrupt and militarized police force that had been disbanded to make room for PNC. Today, lacking the minimal resources and infrastructure to do their jobs, many honest and hardworking members of the police are demoralized. Cases of criminality and abuse by police are on the rise.

49. Turning the situation around will require a serious effort, but there is no alternative if Guatemala wants to confront its security problems in the democratic framework of the peace accords. Key elements of a reform strategy have been identified, including the strengthening of the police academy to permit at least a doubling of the force, the purging of corrupt and abusive elements and a large increase in the PNC budget. Legislation to control illegal firearms and to regulate private security agencies are other important pending peace accords commitments that would contribute to a comprehensive public security strategy.

D. Socio-economic aspects, the agrarian situation, and gender issues

50. Extreme poverty and income inequality, skewed land distribution, State abandonment of the rural areas and the exclusion of the rural population from political and economic decisions were among the root causes of the armed conflict. In the Agreement on Socio-economic Issues and the Agrarian Situation, the Government pledged a wide range of remedies: increased social spending to expand and improve education, health care and other basic services; improved access for rural peasants to market-based land programmes as well as housing and agricultural credits; the establishment of a national rural development policy; and mechanisms for resolving widespread property disputes. These measures were to be financed by tax reforms to raise government revenues from 8 per cent to at least 12 per cent of GDP, complemented by steps towards decentralization that would give the population a greater voice in local development policy.

51. Eight years later, fragmented efforts have produced only limited results in the area of socio-economic reform. Despite increases in social spending and the creation of new institutions to address land issues, public services remain vastly inadequate,

rural development opportunities scarce and land conflicts persistent. Guatemala's income inequality still ranks among the worst in Latin America, according to a recent World Bank study. The percentage of Guatemalans currently living in poverty (57 per cent) has remained about the same and the numbers living in extreme poverty (21.5 per cent) have increased in the past few years, owing in part to the effects of a drop in world coffee prices.

52. One of the main limitations has been the chronic lack of government funds, linked to the refusal by economic elites to pay higher taxes to finance an expansion in State services benefiting primarily the poor. The result is that Guatemala has failed to increase its tax base to even the modest target of 12 per cent of GDP established in the peace accords. Hopes for a breakthrough came in 2000, with the signing of a "Fiscal Pact" between the three branches of State, business leaders and civil society, laying out a balanced plan for increasing revenues in a progressive fashion and ensuring transparent use of State resources. But after revenues reached a peak of 10.6 per cent in 2002, they have since slid backwards towards the ratio in place at the time of the signing of the peace accords.

53. Efforts to improve access to land and resolve land conflicts have also been insufficient. Fontierra, the government agency created under the peace accords to provide credit for land purchases, continues to receive less than its mandated budgetary allocation. Contierra, the presidential agency for analysing and mediating land disputes, has helped to resolve some high-profile cases but has never had the funding or institutional stability to play this role in a sustained manner on the national level.

54. Many key land-related legal reforms have not been carried out, most notably the commitment to create a national land registry considered essential for giving rural landholders legal security. International donors provided major assistance for pilot projects in this area but official promises to enact enabling legislation have repeatedly proven hollow. Nor have peace accords commitments been honoured to deal with other aspects of the land question: creating an agrarian legal code; reviewing the status of idle lands and lands illegally acquired during the armed conflict; and establishing legal security for land held communally by indigenous groups.

55. The peace accords included government commitments to revamp Guatemala's frail public health system with increased resources and focus greater attention on rural areas and a renewed emphasis on preventive strategies. The improvements have been modest thus far; Guatemala continues to exhibit some of the worst primary health indicators in Latin America. One very positive step was the creation of the Integrated Health Care System (SIAS), an innovative system employing services provided by non-governmental organizations in remote rural areas where there are no public health facilities. Vaccination programmes have also improved. But overall health expenditures never reached the peace accords-mandated target of 1.3 per cent of GDP. An estimated 20 per cent of the population is without public assistance or attention by SIAS. Infant mortality rates have dropped by about 20 per cent but remain above the goals established in the peace accords. The key challenges for the future are to expand basic coverage and to continue to emphasize preventive health, which officially constitutes half of current public expenditures. The health system should also more effectively integrate traditional indigenous medicine and hire more bilingual staff.

56. The peace accords also pointed to reform of the educational system as a cornerstone of progress. Significant efforts have been made in this regard, but much more needs to be done. The goal of a 50 per cent increase in education spending was reached in 2001, but the current budget remains entirely inadequate. Community-managed schools were introduced in areas not covered by the official system. Government programmes have succeeded in lowering illiteracy rates to 30 per cent, as called for in the peace accords. Bilingual education has gotten off the ground but is currently available to less than 10 per cent of indigenous children. An extended process of transforming the primary school curriculum to incorporate multicultural aspects and elements of the history of the armed conflict has concluded, but the changes have yet to be implemented in the schools owing to funding problems and opposition from teachers' groups.

57. The most important advance in this area of decentralization was the passage in 2002 of a trio of laws designed to increase citizen participation in local decision-making, particularly by previously excluded groups, such as women and the indigenous population. The changes included a reform of the Municipal Code and a revitalization of a multi-tiered structure of Development Councils. In many parts of the country, civil society groups are already beginning to play a more active role in influencing municipal and departmental policy-making through the provisions of the laws. The new Administration reinforced this positive trend by naming several governors from slates of candidates proposed by the Departmental Development Councils, a significant departure from the traditional use of these posts to reward political supporters.

58. Promoting gender equality and fighting discrimination against women are themes interwoven throughout the peace accords, with several of the most important provisions appearing in the Agreement on Socio-economic Issues and the Agrarian Situation. Domestic violence, unequal access to education and jobs and low levels of political participation among women are among the historical problems that persist despite significant efforts carried out in recent years to reform laws, create institutions and formulate public policies favouring women. A National Policy for the Promotion and Development of Guatemalan Women and an Equal Opportunities Plan (2001-2006) were produced in consultation with women's organizations. The new institutions include the National Women's Forum, the Presidential Secretariat for Women and the Office for the Defense of Indigenous Women, although funding shortages limit their reach and impact. Gender discrimination is now a crime in the Guatemalan Penal Code.

59. In the broadest sense, the process of demobilizing and reintegrating the URNG combatants into civilian life succeeded. The former insurgent group demobilized and disarmed under United Nations supervision, converted into a political party and has participated freely and without political reprisals in two national elections. Where the process has fallen short is in providing viable economic opportunities for the ex-combatants; a large number live in precarious conditions today in part owing to insufficient government assistance in providing land, housing, credit and other basic services. Future solutions should be provided mainly within the framework of national development policies aimed at helping the rural population in general, however some special attention is still required for this particular population. A similar situation confronts former refugees and internally displaced persons who returned without facing any systematic reprisals but did not receive the substantial government assistance promised in the peace accords.

IV. Observations

60. Eight years after embarking on the sweeping project of transformation contained in the peace accords, Guatemala has taken important strides forward and laid a firmer foundation on which it can continue to construct a better future. The list of accomplishments is impressive. Decades of bloody conflict and State-sponsored human rights violations have ended. Former insurgents have integrated into civilian life. The reins of Government alternate through peaceful elections and political debate is taking place within an open and democratic framework. The military has been reduced, brought under greater civilian control and is being steadily transformed within a peaceful democratic framework. Processes of institutional and policy reform have been initiated in all of the key areas touched on in the peace accords. Civil society organizations are amply consulted on matters of public policy.

61. This is hardly a time, however, for Guatemala to rest on its achievements. As the present report also attests, Guatemala still has before it very sizeable problems — some unique and others common to the region, where corruption, inequality, crime and weak rule of law are widespread. Regrettably, the deeper structural reforms envisaged in the peace accords have lagged far behind the advances in the political realm. A deep-seated legacy of racism has only begun to be debated and addressed in State policies. Vast social inequalities persist, constituting both a moral affront and an obstacle to development. These are not reasons to fear a return to armed conflict: Guatemalans do not want to relive the past and now have democratic channels through which to express discontent. But if left to fester, these problems could be ingredients for social conflict, stunted economic development and the corrosion of democratic governance in years ahead.

62. To the outside world, Guatemala's diversity is its wealth, discrimination its shame. Among the many ongoing challenges indicated in the present report, none is more important in the long term than fighting racism. A far more substantial effort should be launched to eradicate the barriers that persist, to provide equal opportunity for the indigenous population and to rebuild the State along multicultural lines. Educational campaigns are needed to sensitize the population as a whole. Bilingual education should be fully funded and expanded and more progress made in guaranteeing access to land and the expansion of public investments in basic services in rural areas.

63. Guatemala also needs a far more serious effort to consolidate the rule of law, in which reform plans are backed by major financial resources and political will to strengthen and modernize the major institutions that compose the criminal justice system. Crime and insecurity are among the greatest dangers to Guatemala's democracy and its economic future. In this context, halting the deterioration of the National Civilian Police has become a matter of national urgency. Involving the military in public security, even as a temporary measure, sidetracks the needed focus on strengthening the civilian security apparatus. Constant leadership changes at the helm of the police will also undermine reform efforts.

64. Even as it tries to leave the conflict behind, Guatemala still has an immense unpaid debt to the victims. Five years after the report of the Historical Clarification Commission, it is time to stop planning for reparations and instead to start delivering them to the tens of thousands of victims of the policies of human rights

abuse practised by the Guatemalan State during the conflict. Victims' organizations, the Government and the Congress should work quickly and in a spirit of unity and transparency to overcome the problems that have delayed implementation. Truth and reparations are part of the necessary response, but justice remains the missing element. Advances in investigating and punishing those responsible for acts of genocide and other crimes against humanity will remain a measure of Guatemala's progress in human rights.

65. Tax reform can no longer be postponed. Guatemala needs a functional State with sufficient resources to make major public investments in health, education, security and justice, and policies to help lift more than half of its citizens out of poverty. Increasing government revenues will require sacrifices and solidarity, particularly from those in the upper echelons of society, who need to look beyond their narrow interests to those of the nation as a whole.

66. Eight years after they were signed, the peace accords continue to shape the national debate and to provide sound and creative ideas for tackling the country's most pressing problems. Their ambitious nature has translated at times into a sense of frustration that progress seems always to fall short of the goal. But by setting a high bar, the Guatemalan peace accords should serve as a work programme that will remain valid for years to come.

67. The results of the last national elections have provided Guatemalans with a fresh opportunity to put confrontation behind them and to move forward with greater unity along the path laid out in the peace accords. The primary responsibility lies in the hands of the new Government, which needs to translate good intentions into results. Success will also require constructive cooperation from all of Guatemala's political parties, from organizations of civil society, from the news media and from the different branches of State that share direct responsibility for implementing the accords.

68. Guatemala made a valiant decision in signing pioneering peace agreements that seek to eradicate the profound causes of the conflict. Success in this endeavour will mean not only a better future for all Guatemalans, but also the defence of a larger principle that is now in the mainstream of peace-building efforts around the world today: that lasting peace can only be built on the basis of democracy, human rights, equality and social justice. That vision has only begun to be realized in Guatemala.

69. The time has come for MINUGUA to depart. Through its verification, good offices, technical cooperation and public information, MINUGUA has made countless contributions, helping over the years to remind Guatemalans of the commitments they have made and to keep the country on the path of peace. Today, the accords frame the plans of Government, political party agendas and the work of civil society organizations that have become influential advocates for implementation. The peace process has matured and Guatemala has consolidated its democratic framework to the point where it should be possible to address unresolved issues peacefully, through national mechanisms and more standard forms of international cooperation.

70. The departure of MINUGUA is neither the end of the peace process nor the end of the involvement of the United Nations in building a lasting peace in Guatemala. The United Nations system in Guatemala has an important role to play

in supporting efforts by the Government and civil society to carry out the peace accords. It is essential that the agencies, funds and programmes of the United Nations system remain guided by the accords, directing funding to priority areas still in need of attention. The United Nations Development Programme will continue to coordinate these efforts and use its annual Human Development Report for Guatemala to track progress in implementing the Agreement on Socio-economic Issues and the Agrarian Situation. The Office of the United Nations High Commissioner for Human Rights is poised to accompany Guatemalans as they continue to strengthen the rule of law and compliance with human rights.

71. Continued monitoring and support by the donor community will also be important in the period ahead. The contributions made over the years by the Group of Friends to the Peace Process and by the members of the Dialogue Group have been invaluable to the process. While expressing gratitude for those contributions and for the support for MINUGUA over the years, I would also make a plea for ongoing engagement in peace accords-related projects and political dialogue with the Guatemalan Government about peace accords implementation.

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Human rights questions: implementation of human rights instruments

Effective implementation of international instruments on human rights, including reporting obligations under international instruments on human rights

Report of the Secretary-General

Summary

The present report contains information on the effective implementation of international human rights instruments and focuses on the meetings of persons chairing the human rights treaty bodies and the second and third inter-committee meetings on the methods of work of treaty bodies relating to reporting. The report also makes reference to the continuing response of the human rights treaty bodies to the proposals of the Secretary-General on reporting under human rights treaty bodies in his report entitled "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1).

* A/59/150.

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1. The General Assembly, in its resolution 57/202, requested the Secretary-General to report to it at its fifty-ninth session on measures taken to implement the resolution, on obstacles to its implementation and on measures taken or planned to ensure financing and adequate staff and information resources for the effective operation of the human rights treaty bodies.

2. Information relevant to resolution 57/202 is contained in the note by the Office of the United Nations High Commissioner for Human Rights to the Commission on Human Rights at its sixtieth session (E/CN.4/2004/98) concerning the effective implementation of international instruments on human rights, including reporting obligations under international instruments on human rights. Information related to the specific treaty bodies is contained in the reports of the Human Rights Committee (A/59/40), the Committee on Economic, Social and Cultural Rights (E/2004/22-E/C.12/2003/14), the Committee on the Elimination of Discrimination against Women (A/59/38), the Committee on the Rights of the Child (A/59/41), the Committee on the Elimination of Racial Discrimination (A/59/18), the Committee against Torture (A/59/44), and the Committee on the Protection of the Rights of All Migrant Workers and Members of Their Families (A/59/48). Additional information pertaining to the Committee on the Rights of the Child can be found in the reports of its thirtieth through thirty-sixth sessions (CRC/C/118, CRC/C/121, CRC/C/124, CRC/C/132, CRC/C/133, CRC/C/137 and CRC/C/141). Further information is contained in the reports of the Secretary-General on the financial situation of the Committee on the Elimination of Racial Discrimination (A/59/__); the status of the International Convention on the Elimination of All Forms of Racial Discrimination (A/59/__); the status of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (A/59/310); and the status of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (A/59/306).

3. Developments concerning the programme to support human rights organs and treaty bodies; efforts made by the human rights treaty bodies to improve their functioning; the need to ensure financing and adequate staff and information resources for the operations of the human rights treaty bodies; cooperation with United Nations departments, specialized agencies, funds and programmes and mechanisms, national human rights institutions and non-governmental organizations; relations with the Expanded Bureau of the Commission on Human Rights, the Chairperson of the Sub-Commission on the Promotion and Protection of Human Rights and States parties and cooperation with special rapporteurs/representatives, independent experts and chairpersons of working groups of the special procedures of the Commission on Human Rights and of the advisory services programme were addressed by the fifteenth and sixteenth meetings of human rights treaty bodies held at Geneva from 23 to 27 June 2003 and from 23 to 25 June 2004, respectively. The reports on those meetings, including the recommendations of the chairpersons, are contained in documents A/58/350 and A/59/__, respectively.

4. Pursuant to the request of the Secretary-General in his report entitled "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1) that the High Commissioner for Human Rights should consult with the treaty bodies on new streamlined reporting procedures under the human rights treaties, a second inter-committee meeting of representatives of all treaty bodies was convened from 18 to 20 June 2003 at the Office of the High Commissioner for

Human Rights in Geneva, immediately before the fifteenth meeting of persons chairing the human rights treaty bodies. The report of the meeting, including its recommendations, is annexed to the report of the fifteenth meeting of chairpersons (A/58/350). The inter-committee meeting focused its discussions on the report of a brainstorming meeting, hosted by the Government of Liechtenstein at Malbun from 4 to 7 May 2003, which had been attended by representatives of the treaty bodies, States parties, United Nations agencies, funds and programmes, national human rights institutions and non-governmental organizations and which had discussed the Secretary-General's reform proposals. The report of the Malbun meeting was before the General Assembly at its fifty-eighth session (A/58/123, annex).

5. A third inter-committee meeting was convened from 21 to 22 June 2004 to further consider options for coordinating and streamlining the work of the treaty bodies and harmonizing reporting requirements. The report of the meeting, including its recommendations, is annexed to the report of the sixteenth meeting of chairpersons (A/59/__).

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Human rights questions: implementation of human rights instruments

Status of the United Nations Voluntary Trust Fund on Contemporary Forms of Slavery

Report of the Secretary-General

Summary

The present report on the financial status and activities of the United Nations Voluntary Trust Fund on Contemporary Forms of Slavery contains the recommendations adopted by the Board of Trustees of the Fund at its ninth session, held in Geneva from 26 to 30 January 2004, which were approved by the Acting United Nations High Commissioner for Human Rights on behalf of the Secretary-General on 23 February 2004. The present report updates the report of the Secretary-General submitted to the Commission on Human Rights at its sixtieth session (E/CN.4/2004/78 and Add.1), as well as the report of the Secretary-General to the General Assembly at its fifty-eighth session (A/58/306).

* A/59/150.

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I. Mandate of the Fund

1. In its resolution 46/122 of 17 December 1991, the General Assembly established the United Nations Voluntary Trust Fund on Contemporary Forms of Slavery, which receives voluntary contributions from Governments, non-governmental organizations, other private and public entities and individuals. The purpose of the Fund is to provide financial assistance to representatives of non-governmental organizations from different regions that deal with issues related to contemporary forms of slavery so they may participate in the deliberations of the Working Group on Contemporary Forms of Slavery and to extend humanitarian, legal and financial aid, through established channels of assistance, to individuals whose human rights have been severely violated as a result of contemporary forms of slavery.

II. Administration and Board of Trustees

2. Pursuant to General Assembly resolution 46/122, the Fund is administered by the Secretary-General, through the Office of the United Nations High Commissioner for Human Rights (OHCHR), in accordance with the relevant financial regulations and rules of the United Nations on general trust funds for humanitarian assistance and with the advice of a Board of Trustees.

3. The Board is composed of five experts with relevant experience in the field of human rights and, in particular, with issues of contemporary forms of slavery, serving in their personal capacities. The current members of the Board, appointed by the Secretary-General for a three-year renewable term, in consultation with the Chairperson of the Subcommission on the Promotion and Protection of Human Rights, with due regard to equitable geographical distribution, are Swami Agnivesh (Chairperson), Theo van Boven, Cheikh Saad-Bouh Kamara, Tatiana Matveeva and José de Souza Martins.

III. Beneficiaries

4. In accordance with the selection criteria adopted by the General Assembly in its resolution 46/122, the beneficiaries of assistance from the Fund shall be: (a) representatives of non-governmental organizations dealing with issues of contemporary forms of slavery who would not, in the opinion of the Board, be able to attend the session of the Working Group without the assistance provided by the Fund and who would be able to contribute to a deeper knowledge on the part of the Working Group of the problems relating to contemporary forms of slavery; and (b) individuals whose human rights have been severely violated as a result of contemporary forms of slavery (see annex I).

IV. Grant cycle

5. Applications for travel or project grants for 2005 must be submitted by 15 September 2004 for analysis by the secretariat of the Fund and Board. Admissible applications will be examined by the Board at its next session, scheduled to be held in January 2005. At that session, the Board will adopt

recommendations for grants, which will then be submitted for approval to the High Commissioner for Human Rights on behalf of the Secretary-General. The grants approved should be paid in February/March 2005. Beneficiaries of project grants then have to provide satisfactory narrative and financial reports on the use of their grants before 1 November 2005. Until satisfactory reports on the use of previous grants are received, no new project grant can be paid.

6. Admissibility of new applications: during the period between the receipt of the application and the next session of the Board, the secretariat of the Fund decides on the admissibility of applications on the basis of the mandate of the Fund.

7. Selection process: admissible application forms are verified as to their conformity with approved selection criteria and additional information is requested from the organization if necessary. Reference organizations and specialized networks are consulted as well if necessary. The complete application form is then summarized and analysed by the secretariat in accordance with the selection criteria, to facilitate the work of the Board of Trustees. At its annual session, the Board reviews all applications declared admissible, including the original application form, the summary analysis prepared by the secretariat and any other relevant information. The Board then makes recommendations to the Secretary-General in accordance with the guidelines of the Fund and Board. After the session the secretariat reviews all the Board's recommendations for consistency with relevant United Nations administrative and financial rules and regulations. The High Commissioner for Human Rights approves, on behalf of the Secretary-General, the recommendations that are acceptable, along with any new best practices identified during the annual session.

8. Payment of grants: the beneficiary organizations are requested to approve all conditions attached to the grant such as providing narrative and financial reports on the use of grants by a given deadline. Upon receipt of this confirmation, the secretariat of the Fund requests the financial services of the United Nations Office at Geneva to pay the project grant promptly. In the case of travel grants, the beneficiary receives a plane ticket from his or her local travel agency and then a daily subsistence allowance (DSA) in the form of a cheque upon arrival at the session of the Working Group.

9. Monitoring: the secretariat reviews all narrative and financial reports received from beneficiary organizations on the use of project grants and asks for additional information if needed. OHCHR field presences and other United Nations field offices such as those of the United Nations Development Programme (UNDP) may be requested to provide to the secretariat of the Fund additional information on the organization or project. Travel grants are closely monitored before and during the session of the Working Group. Beneficiaries are requested to provide a copy of any statement they make during the session as part of their reporting obligation.

10. Evaluation by the Board and secretariat: in performing their evaluation, the Board and the secretariat carry out the following activities:

(a) At its annual session the Board reviews the situation of all travel and project grants allocated in previous years. When the Board is satisfied with the reporting from a given organization, it recommends closing the file. If the report is not complete the Board makes a recommendation requesting specific additional

information. No new grants will be allocated to that organization until the Board is satisfied with its report;

(b) Board members may visit projects financed by the Fund within their geographic region; the secretariat of the Fund may also visit projects;

(c) Board members, who are respected United Nations experts in the field of contemporary forms of slavery, establish, if needed, direct contacts with project leaders in the field, during sessions of the Board, or at the sessions of the Working Group, the Commission on Human Rights and the Subcommission on the Promotion and the Protection of Human Rights, in order to better evaluate the use of the grants. The secretariat also meets with project leaders;

(d) Reference organizations and specialized networks may be invited to the session of the Board at which their applications are examined in order, inter alia, to provide additional information on specific organizations or projects, answer questions and explain their activities to the Board;

(e) Concerning travel grants, the Chairman, or another Board member if possible, attends the Working Group session in order to meet with all beneficiaries present and assess the impact of their participation on the deliberations of the Working Group.

V. Payment of contributions

11. In order to meet the requirements of the grant cycle and meet new requests for funding, new voluntary contributions should be paid to the Fund by the end of 2004 so that they can be duly recorded by the United Nations Treasurer well in advance of the next session of the Board. Contributions that cannot be recorded before the next session of the Board will be considered at the following session.

VI. Ninth session of the Board of Trustees

12. During the 10 meetings of its ninth session (26-30 January 2004), the Board of Trustees examined information prepared by its secretariat concerning previous grants paid from 2000 to 2003, applications for new travel and project grants, the financial situation of the Fund, including new contributions and pledges (see annex II, sect. A), and the implementation of the new recommendations approved in 2003. The Board met with the Acting High Commissioner, as well as representatives of donor and other interested Governments and staff members of OHCHR working on other activities relevant to the mandate of the Board. Detailed information concerning the ninth session of the Board of Trustees can be found in document E/CN.4/2004/78/Add.1, section II.

VII. Approval and implementation of recommendations

13. All the recommendations made by the Board of Trustees at its ninth session were approved on 23 February 2004 by the Acting United Nations High Commissioner for Human Rights on behalf of the Secretary-General. Eight out of nine beneficiaries attended the twenty-ninth session of the Working Group (28 June-

2 July 2004). One beneficiary was refused an entrance visa for Switzerland. Only two project grants were kept pending until additional information requested from the applicants had been received by the Board.

14. The Board noted with satisfaction that, thanks to new contributions from previous and new donors, appeals by the High Commissioner, the Board and Fund secretariat and recommendations of the Subcommission on the Promotion and Protection of Human Rights and the Working Group, it had been able to recommend 20 new grants in 2004. The relevant statistics since the Board started allocating grants in 1997, including the number of travel and project applications received and the amount of money requested, as well as the number of grants received and the amount of money allocated by the Fund, are shown in the following table.

Statistics on the allocation of travel and project grants, 1997-2004

Year	*Type of grant*	*Number of admissible applications*[a]	*Amount requested (US dollars)*	*Number of grants approved*	*Amount allocated (US dollars)*
1997					
	Travel	-	-	6	13 600
	Project			3	10 250
1998[b]		-	-	-	-
1999					
	Travel	10	100 000	10	13 505
	Project	23	800 000	5	27 000
2000					
	Travel	43	113 059	17	30 800
	Project	25	552 236	17	83 500
2001					
	Travel	33	73 000	13	25 715
	Project	23	330 000	18	148 700
2002					
	Travel	39	80 000	7	14 046
	Project	39	600 000	21	121 000
2003					
	Travel	37	85 800	8	21 995
	Project	55	743 990	28	130 920
2004					
	Travel	25	130 375	9	29 555
	Project	43	553 275	20	150 700

[a] Every year about 50 applications are received that are not admissible, as they do not fall within the mandate of the Fund, arrive after the established deadline or are incomplete.

[b] The total amount available for grants was paid in 1997 ($23,850), and no new contributions were paid.

VIII. Twenty-ninth session of the Working Group on Contemporary Forms of Slavery

15. At its twenty-ninth session, the Working Group on Contemporary Forms of Slavery had before it the report of the Secretary-General to the Commission on Human Rights concerning the situation of the Fund (E/CN.4/2004/78 and Add.1).

16. A member of the Board of Trustees, Mr. de Souza Martins, attended the session and introduced the documentation available and the beneficiaries of travel grants attending the session and described the financial situation of the Fund.

17. The Working Group invited the Board of Trustees to continue to promote the participation at the annual sessions of the Working Group of individuals and organizations from as large a number of countries as possible and to continue contributing to projects implemented at the grass-roots level that directly assist victims of contemporary forms of slavery.

18. The Working Group also expressed its gratitude to all those who had contributed to the Fund and strongly encouraged them to continue doing so, especially in view of the thirtieth anniversary of the Working Group. It also recalled that the General Assembly had appealed to all Governments to respond favourably to requests for contributions to the Fund, urged Governments and non-governmental organizations, other private or public entities and individuals to contribute to the Fund and encouraged them to do so if possible by September 2004, in order to enable the Fund to fulfil its mandate effectively in the year 2005.

IX. Needs assessment

19. Applications for grants amounting to approximately $727,000 were received in 2004. The Board was able to recommend only about $180,700 (just under one quarter of the total amount requested). In the Board's view, in order to be able to fulfil its mandate and to satisfy the new applications envisaged for 2005, and also taking into consideration that the Board had recommended for expenditure almost all the money available at its ninth session, the Fund would need new contributions amounting to at least $325,000 before the tenth session of the Board, scheduled to be held at the end of January 2005.

20. New contributions and pledges have already been made for the tenth session of the Board (see annex II, sects. C and D).

X. Fund-raising for the tenth session of the Board of Trustees

21. The Board adopted its revised cost plan for 2005 on the basis of the increase in new applications for grants and the increase in new contributions received in 2004.

22. During its tenth session, the Board held its annual meeting with regular and new donor Governments and other interested Governments (see E/CN.4/2004/78/Add.1, paras. 30 and 31).

23. The Board recommended that the secretariat of the Commission on Human Rights continue to invite the Bureau to request the Chairperson or another member of the Board to deliver a brief speech to the Commission for the purpose of

introducing the report of the Secretary-General on the Fund, providing the Commission with updated information on its work and the financial situation of the Fund and inviting donors to contribute to the Fund.

XI. How to contribute to the Fund

24. Voluntary contributions to the United Nations Voluntary Trust Fund on Contemporary Forms of Slavery may be made as follows:

(a) In United States dollars and other currencies to: United Nations Office at Geneva, account No. 485001802, J. P. Morgan Chase Bank, New York, NY 10004, United States; SWIFT code: CHASUS33;

(b) In euros and pounds sterling to: United Nations Office at Geneva, account No. 23961 901, J. P. Morgan Chase Bank, London, P.O. Box 440, Wollgate House, Coleman Street, London, United Kingdom; SWIFT code: CHASGB2L;

(c) In Swiss francs to: United Nations Geneva General Fund, account No. 240-C0590160.0, UBS, Rue du Rhône 8, Geneva 2, Switzerland; SWIFT code: UBSWCHZH12A;

(d) By cheque to the order of the United Nations to be sent to the Treasurer, United Nations Office at Geneva, Palais des Nations, CH-1211 Geneva 10, Switzerland.

Please mention that payment is to be made to the order of the United Nations and also, in any case, the following: "for the UN Voluntary Trust Fund on Contemporary Forms of Slavery- SH".

25. To enable the Secretariat to follow up and inform the Board of Trustees, the General Assembly, the Commission on Human Rights, the Subcommission and the Working Group, donors wishing to make a voluntary contribution are invited to inform the Fund's secretariat of their payment at:

United Nations Voluntary Trust Fund on Contemporary Forms of Slavery
Office of the United Nations High Commissioner for Human Rights
Palais des Nations
CH-1211 Geneva 10
Switzerland

Telephone: + (41) (22) 917 91 64
+ (41) (22) 917 97 27
+ (41) (22) 917 91 45

Facsimile: + (41) (22) 917 90 17

XII. Recommendations

26. In the view of the Board of Trustees of the Fund, in order to be able to satisfy all new applications envisaged for 2005 and to fulfil its mandate satisfactorily, the Fund would need at least $325,000 more before the tenth session of the Board, scheduled to be held at the end of January 2005. As recommended by the Board at its ninth session and approved by the Acting

United Nations High Commissioner for Human Rights on behalf of the Secretary-General, donors are invited to contribute to the Fund by the end of the year in order that the contributions may be duly recorded by the United Nations Treasurer in advance of the annual session of the Board. Contributions that cannot be recorded before the session of the Board will be considered at its next annual session.

Annex I

Criteria and other requirements for the selection of beneficiaries

A. Travel grants

1. According to the criteria established by the General Assembly in its resolution 46/122, grants from the Fund shall be given to:

(a) Representatives from non-governmental organizations from different regions dealing with issues of contemporary forms of slavery to assist them to participate in the deliberations of the Working Group on Contemporary Forms of Slavery:

(i) Who are so considered by the Board of Trustees;

(ii) Who would not, in the opinion of the Board, be able to attend the sessions of the Working Group on Contemporary Forms of Slavery without the assistance provided by the Fund;

(iii) Who would be able to contribute to a deeper knowledge on the part of the Working Group of the problems relating to contemporary forms of slavery;

(b) Individuals whose human rights have been severely violated as a result of contemporary forms of slavery.

2. In addition, the Board has developed other practices and guidelines:

(a) Application forms for travel grants should include a letter of nomination and recommendation signed by an executive official of the applicant's organization other than the applicant himself or herself;

(b) The Board will take into consideration the main theme of the Working Group's session when making recommendations for travel grants;

(c) A non-governmental organization may apply for grants for a maximum of two representatives;

(d) In proposing candidates, the applicant non-governmental organization should take gender balance into consideration;

(e) The applicant must submit by airmail the original of the application duly signed and dated;

(f) Representatives should be selected from all the geographical regions in order to provide the widest possible view of contemporary forms of slavery in the world (resolution 2000/12 of the Subcommission on the Protection and the Promotion of Human Rights);

(g) The organization should provide information on its legal status, year of foundation, annual budget, other sources of funding in relation to aspects of contemporary forms of slavery with which the organization deals and specific experience and/or expertise in the relevant issues to be discussed at the Working Group;

(h) The organization should provide information on the responsibilities of the applicant in the organization and on the theme of the applicant's presentation to the Working Group;

(i) Beneficiaries of a travel grant should deliver their statements on behalf of the organization that applied for the approved grant;

(j) The Board will not consider an application for which the secretariat has not received, at its request, additional satisfactory information after a second reminder.

B. Project grants

3. According to General Assembly resolution 46/122, grants from the Fund shall be given to extend, through established channels of assistance, humanitarian, legal and financial aid to individuals whose human rights have been severely violated as a result of contemporary forms of slavery.

4. The Board has developed the following practices and guidelines:

(a) An organization can request a maximum amount of US$ 15,000 per grant from the Fund;

(b) Projects should be selected from all the geographical regions in order to provide the widest possible view of contemporary forms of slavery in the world (Subcommission resolution 2000/12);

(c) The project should take gender balance into consideration;

(d) The original application, duly signed and dated by an executive officer of the applying organization, should be sent by airmail;

(e) The organization should provide information on its present activities and the aspects of contemporary forms of slavery that it deals with;

(f) If satisfactory narrative and financial reports on the use of a previous grant have not been received, a new grant cannot be released and should be kept pending;

(g) Project grants should be allocated for direct assistance to victims and to local non-governmental organizations. As the case may be, grants can be channelled via an international non-governmental organization, provided that it does not keep any part of the grant for its activities;

(h) The Board will not consider an application for which the secretariat has not received, at its request, additional satisfactory information after a second reminder;

(i) If no satisfactory narrative and financial reports are received, the organization may be requested to refund the grant concerned.

Annex II

Contributions and pledges available for the ninth and tenth sessions of the Board of Trustees of the United Nations Voluntary Trust Fund on Contemporary Forms of Slavery

A. Contributions available for the ninth session*

Table 1
Contributions by States

State	*For the year*	*Amount (US dollars)*	*Date paid*	*Number of contributions*
Botswana	2004	500	13 May 2003	1
France	2003	34 620	12 May 2003	5
Holy See	2004	1 000	4 December 2003	5
Israel	2004	5 000	23 October 2003	2
Japan	2004	23 040	17 November 2003	6
Netherlands	2004	52 817	24 November 2003	5
Mauritius	2004	3 000	24 March 2003	1
South Africa	2004	5 847	1 April 2003	4
Sudan	2004	1 977	6 January 2003	1
United Kingdom of Great Britain and Northern Ireland	2004	17 036	24 December 2004	2
Total		**144 837**		

Table 2
Contributions by non-governmental organizations, other private or public entities and individuals

Entity or individual	*Amount (US dollars)*	*Date paid*	*Number of contributions*
Mr. Yorio Shiokawa	146	27 March 2003	7
	91	11 September 2003	8
Japanese Workers Committee	219	27 March 2003	3
Students and teachers at the Instituto Tecnico Commerciale Oscar Romero, Italy	971	28 May 2003	9
	930	30 December 2003	10
Total	**2 357**		
Total tables 1+2	**147 194**		

* Based on information available at the Office of the United Nations High Commissioner for Human Rights.

B. Pledges made before the ninth session

State	*Amount (US dollars)*	*Date pledged*
Japan[a]	36 000	29 January 2003
The Netherlands	40 614	3 May 2002
Total	**76 614**	

[a] The pledge was made by the representative of Japan at the meeting of the Board with donors during the eighth session, on 24 January 2003. The Board decided to take it into consideration in its recommendations for grants.

C. Contributions available for the tenth session[a]

(as at 3 August 2004)

Table 1
Contributions by States

State	*For the year*	*Amount (US dollars)*	*Date paid*	*Number of contributions*
South Africa	2005	7 214.74	10 March 2004	5
United Arab Emirates	2005	29 961.00	25 March 2004	1
Cyprus	2005	4 000.00	21 May 2004	4
Greece	2005	12 000.00	9 July 2004	1
Total		**53 175.74**		

Table 2
Contributions by non-governmental organizations, other private or public entities and individuals

Entity or individual	*For the year*	*Amount (US dollars)*	*Date paid*	*Number of contributions*
Mr. Yorio Shiokawa	2005	312.50	5 April 2004	9
Instituto Tecnico Commerciale Romero	2005	796.72	28 April 2004	11
Students and Teachers of the Archway School	2005	910.75	14 July 2004	4
Subtotal (table 2)		**2 019.97**		
Total (tables 1 and 2)		**55 195.71**		

[a] Based on information available at the Office of the United Nations High Commissioner for Human Rights.

D. Pledges made since the ninth session[a]

Entity or individual	*For the year*	*Amount (euros)*	*Date pledged*	*Number of contributions*
France	2005	30 000	22 July 2004	6
Total		**30 000**		

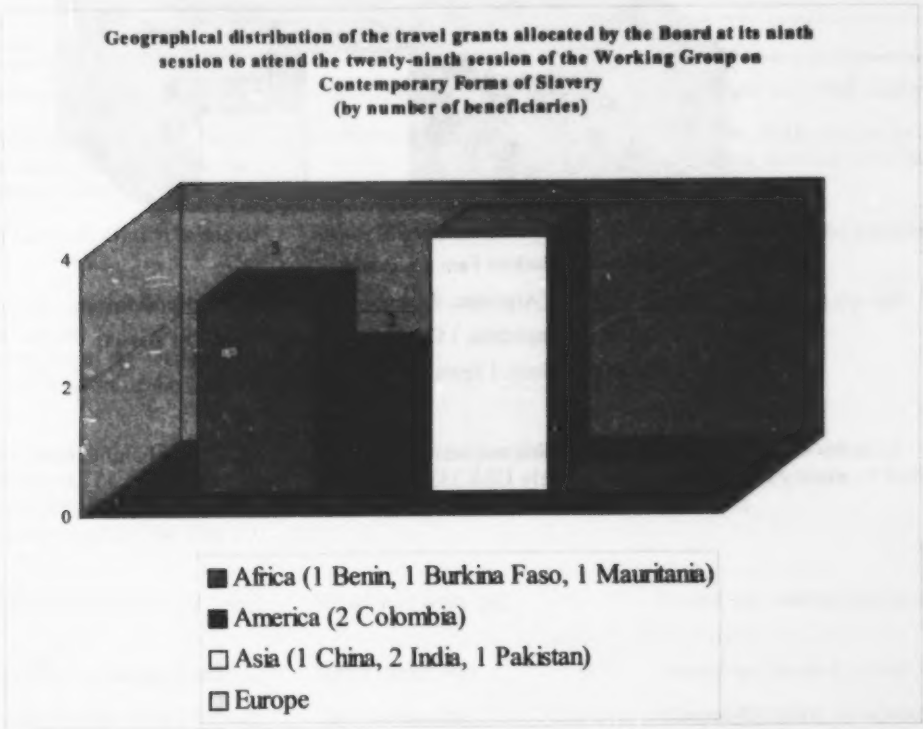
[a] **Based on information available at the Office of the United Nations High Commissioner for Human Rights.**

Annex III

Geographical distribution of travel and project grants

Chart 1

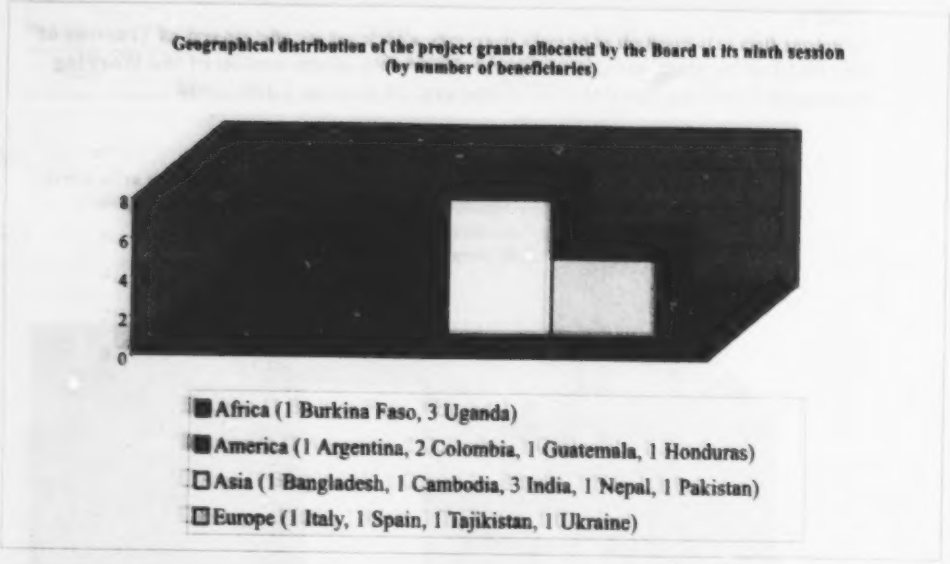
Geographical distribution of travel grants allocated by the Board of Trustees of the Fund at its ninth session to attend the twenty-ninth session of the Working Group on Contemporary Forms of Slavery, 28 June to 2 July 2004


Geographical distribution of the travel grants allocated by the Board at its ninth session to attend the twenty-ninth session of the Working Group on Contemporary Forms of Slavery
(by number of beneficiaries)
4
2
0
Africa (1 Benin, 1 Burkina Faso, 1 Mauritania)
America (2 Colombia)
Asia (1 China, 2 India, 1 Pakistan)
Europe

Note: Total number of admissible requests for travel grants: 25; total amount of money requested: approximately US$ 130,375.

Chart 2

Geographical distribution of project grants allocated by the Board of Trustees of the Fund at its ninth session


Geographical distribution of the project grants allocated by the Board at its ninth session
(by number of beneficiaries)
8
6
4
2
0
Africa (1 Burkina Faso, 3 Uganda)
America (1 Argentina, 2 Colombia, 1 Guatemala, 1 Honduras)
Asia (1 Bangladesh, 1 Cambodia, 3 India, 1 Nepal, 1 Pakistan)
Europe (1 Italy, 1 Spain, 1 Tajikistan, 1 Ukraine)

Note: Total number of admissible requests for project grants: 43; total amount of money requested: approximately US$ 553 275.

Annex IV

Travel and project grants approved by the Board of Trustees at its ninth session for attendance at the twenty-ninth session of the Working Group on Contemporary Forms of Slavery

A. Travel grants

Organization and country	*Name of representative*	*Theme*
Tomorrow Children, Benin	Micheline Aklo[a] (f)	Experience as a trafficked person
Groupe de Recherche-Action pour un Développement Endogène de la Femme Rurale du Burkina, Burkina Faso	Bernadette Tipoko Quedraogo (f)	Domestic child workers and trafficking in children in Burkina Faso
The Drammeh Institute, United States of America	Habsa Sileymane (f)	Forced labour among women in Mauritania
Association for the dissemination, promotion and defense of the human rights and indigenous rights of the Wayuu territories and settlements of the Guajira, Colombia	Zulima Esther Fonseca Perez (f)	Child labourers in the salt industry
Association for the dissemination, promotion and defense of the human rights and indigenous rights of the Wayuu territories and settlements of the Guajira, Colombia	Magalis Alarcón Rosado (f)	Experience as a victim of contemporary forms of slavery in Colombia
Arya Samaj For Bonded and Child Labour Front, India	Vithal Rao Arya (m)	Forced and bonded labour system
International Council of Aryan Youth	Jagvir Singh (m)	Forced and bonded labour
Swabi Women Welfare Society, Pakistan	Sher Zaman (m)	Commodification of women, involuntary servitude, forced marriage, honour killings and customs of Pakistani women
The Committee of Propaganda and Education on the Convention on the Rights of the Child and PCAN Shaanxi Translators Association of CAT, China	Fuyong Jiao[a] (m)	Presentation of a clinical study of 86 sexually abused children in China
Total	**9 travel grants, $29,555[b]**	

[a] The beneficiary was allocated a travel grant at the eighth session of the Board of Trustees, but was unable to travel to the Working Group in June 2003. At its ninth session, the Board recommended another travel grant to the beneficiary.

[b] Beneficiaries are entitled to a round-trip aeroplane ticket and a stipend of $175 for each day of attendance, plus two extra days for travel.

B. Project grants

Organization and country	*Title of project or aspect covered*	*Approved grant (US dollars)*
Africa		
Groupe de Recherche-Action pour un Développement Endogène de la Femme Rurale du Burkina, Burkina Faso	Assistance to child victims of sexual exploitation and prostitution	15 000
United Women Orphanage Development Association, Uganda	Fight against slavery and abuse of human rights	7 700
Development Organisation and Empowerment of Rural Poor, Uganda	Protection of victims of slavery	8 000
Neema Pancrasio (NEEMAPA), Uganda	Integrated women development	5 500
Americas		
Erradicación del Trabajo Infantil para la Reinserción Escolar (ETIPRE), Argentina	Eradication of child labour and the reintegration of child labourers into school	10 000
AKUAIPA WAIMAKAT-Asociación para la Divulgación, Promoción y Defenso de los Derechos Humanos e Indígenas de los Territorios y Asentamientos Wayuu de la Guajira, Colombia	Plan of action orientated at improving the situation of 600 children working as miners in the marine salt quarry in the Department of La Guajira, Colombia	11 000
Terre des Hommes, Colombia-Italy	Prevention of contemporary forms of slavery of children in Usme, Bogotá, Colombia	1 000
Les Trois Quarts du Monde (TQM), Guatemala/France	Support for two shelter homes, training and reintegration of girls in the streets of Guatemala	10 000
Centro de Estudios de la Mujer, Honduras	Domestic child labour project	1 000
Asia		
Pabartya Bouddha Mission, Bangladesh	Rescue and rehabilitation of sexually exploited and trafficked indigenous girls	7 000
Hope Association for Development, Cambodia	Relief for child labourers through awareness-raising	5 000
Arya Samaj for Bonded Labour — Child Labour Front, India	Release and rehabilitation of bonded and domestic child labourers and awareness campaign	15 000
Vivek Sadhna Mandir (Temple of Wisdom), India	Mobilizing the Kol stone miners against forced labour and help them assert their rights	12 000
Agrarian Assistance Association, India	Campaign to free bonded child labourers	15 000
Agro Forestry Basic Health and Cooperatives Nepal (ABC), Nepal	Rehabilitation programme for victims of trafficking and sexual assault	9 000

Organization and country	*Title of project or aspect covered*	*Approved grant (US dollars)*
Association of Networks for Community Empowerment, ANCE, Pakistan	Education and health programme for brick-kiln child labourers	2 000
Europe		
Fondazione Auxilium, Italy	Shelters for women victims of sexual exploitation and forced prostitution	3 000
Adoratrices-Proyecto ESPERANZA, Spain	Project for the rehabilitation of women victims of trafficking	3 000
"Modar", Tajikistan	Trafficking of people — the new phenomenon in Tajikistan	6 500
West Ukrainian Centre "Women's Perspectives", Ukraine	Individual support and assistance to victims of trafficking	4 000
Total	**20 projects**	**150 700**

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Fifty-ninth session
Item 107 (a) of the provisional agenda*
Human rights questions: implementation of human rights instruments

Status of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment

Report of the Secretary-General

Summary

The General Assembly, by its resolution 39/46, adopted and opened for signature, ratification and accession the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. The Convention entered into force on 26 June 1987. Further, the General Assembly, by resolution 57/199 adopted the Optional Protocol to the Convention. The Optional Protocol has not yet entered into force.

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* A/59/150.

04-47372 (E) 200904

I. Introduction

1. The General Assembly, by its resolution 39/46, adopted and opened for signature, ratification and accession the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment contained in the annex to that resolution, and called upon all Governments to consider signing and ratifying the Convention as a matter of priority.

2. The Convention was opened for signature in New York on 4 February 1985. In accordance with its article 27, the Convention entered into force on 26 June 1987, on the thirtieth day after the date of deposit with the Secretary-General of the twentieth instrument of ratification or accession.

3. The General Assembly, in its resolution 57/199, adopted the Optional Protocol to the Convention. The Protocol was opened for signature on 4 February 2003. The Protocol shall enter into force on the thirtieth day after the date of deposit with the Secretary-General of the United Nations of the twentieth instrument of ratification or accession.

II. Implementation of the Convention

4. In its resolution 58/164, the Assembly welcomed the work of the Committee against Torture and took note of its report;[1] urged all States that had not yet done so to become parties to the Convention as a matter of priority; invited all States ratifying or acceding to the Convention and those States that were parties to the Convention and had not yet done so to consider joining the States parties that had already made the declarations provided for in articles 21 and 22 of the Convention and to consider the possibility of withdrawing their reservations to article 20; urged all States parties to notify the Secretary-General of their acceptance of the amendments to articles 17 and 18 of the Convention as soon as possible; urged States parties to comply strictly with their obligations under the Convention, including, in view of the high number of reports not submitted, their obligation to submit reports in accordance with article 19 of the Convention; called upon the United Nations High Commissioner for Human Rights, in conformity with the mandate established in General Assembly resolution 48/141, to continue to provide, at the request of Governments, advisory services for the preparation of national reports to the Committee and for the prevention of torture, as well as technical assistance in the development, production and distribution of teaching material for this purpose; urged States parties to take fully into account the conclusions and recommendations made by the Committee after its consideration of their reports; and requested the Secretary-General to submit to the Commission on Human Rights at its sixtieth session and the General Assembly at its fifty-ninth session a report on the status of the Convention.

5. The Commission on Human Rights, by its resolution 2004/41, called upon all Governments to implement fully the prohibition of torture and other cruel, inhuman or degrading treatment or punishment; and urged all Governments to promote the speedy and full implementation of the Vienna Declaration and Programme of Action (A/CONF.157/24, Part I), in particular Part II, section B, paragraph 5, relating to freedom from torture, in which it is stated that States should abrogate legislation leading to impunity for those responsible for grave violations of human rights such

as torture and prosecute such violations, thereby providing a firm basis for the rule of law. The Commission condemned in particular any action or attempt by States or public officials to legalize or authorize torture under any circumstances, including on grounds of national security, and called upon Governments to eliminate practices of torture. Further, the Commission encouraged States parties to consider limiting the extent of any reservations they lodged to the Convention, to formulate any reservations as precisely and narrowly as possible, to ensure that no reservation was incompatible with the object and purpose of the Convention, and to review regularly any reservations made in respect of the provisions of the Convention with a view to withdrawing them.

III. Status of the Convention

6. As at 15 July 2004, the Convention had been ratified or acceded to by 136 States. In addition, 12 States had signed the Convention.[2]

7. Under article 21 of the Convention, a State party may at any time declare that it recognizes the competence of the Committee against Torture to receive and consider communications to the effect that a State party claims that another State party is not fulfilling its obligations under the Convention. Under article 22, a State party may at any time declare that it recognizes the competence of the Committee to receive and consider communications from or on behalf of individuals subject to its jurisdiction who claim to be victims of a violation by a State party of the provisions of the Convention.

8. As at 15 July 2004, 52 of the States parties to the Convention had made the declarations provided for in articles 21 and 22 of the Convention. In addition, four States parties had made the declaration provided for in article 21 only, thus bringing the total number of declarations under that article to 56. Four States parties had made the declaration provided for in article 22 only, thus bringing the total of declarations under that article to 56.[3]

9. The provisions of articles 21 and 22 entered into force on 26 June 1987, in accordance with paragraph 2 of article 21 and paragraph 8 of article 22.

10. As at 15 July 2004, four States had ratified or acceded to the Optional Protocol to the Convention. In addition, 23 States have signed the Optional Protocol.

IV. Membership of the Committee against Torture

11. The membership of the Committee for 2004 is as follows:

Member	*Term expires in December*
Guibril Camara (Senegal)	2007
Sayed Kassem El Masry (Egypt)	2005
Felice Gaer (United States of America)	2007
Claudio Grossman (Chile)	2007
Andreas Mavrommatis (Cyprus)	2007
Fernando Mariño Menendez (Spain)	2005
Julio Prado-Vallejo (Ecuador)	2007
Ole Vedel Rasmussen (Denmark)	2005
Alexander M. Yakovlev (Russian Federation)	2005
Yu Mengjia (China)	2005

12. The Committee against Torture held its thirty-first and thirty-second sessions at the United Nations Office at Geneva from 10 to 21 November 2003 and 3 to 21 May 2004, respectively. In accordance with article 24 of the Convention, the Committee will submit its annual report, covering its activities at the sessions referred to above, to the States parties and to the General Assembly at its fifty-ninth session.

Notes

[1] *Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 44* (A/58/44).

[2] For the list of States that have signed, ratified or acceded to the Convention, as well as the dates of their signature, ratification or accession, see www.ohchr.org or www.un.org.

[3] For the text of declarations and reservations, see www.ohchr.org or www.un.org.